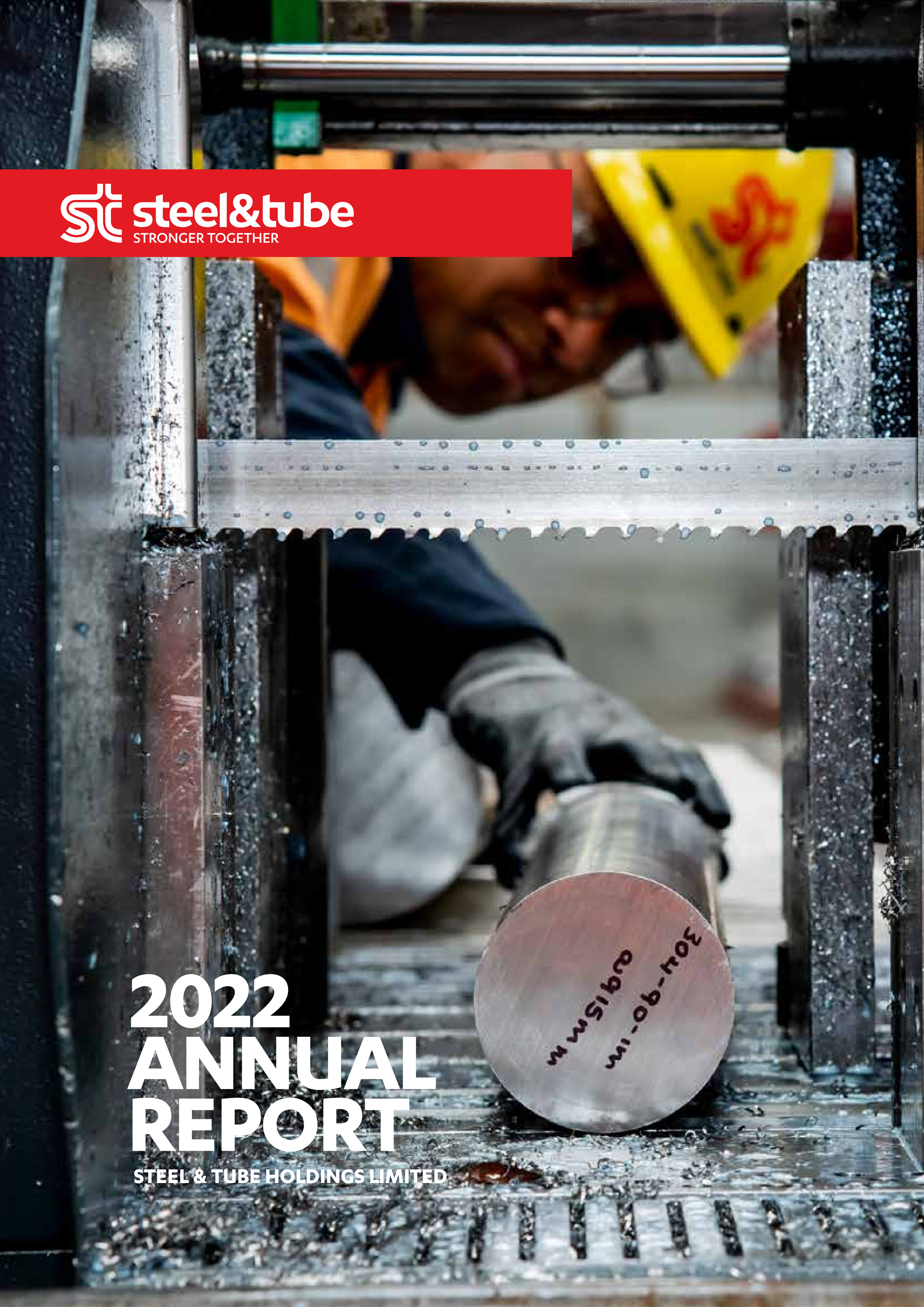

steel&tube
STRONGER TOGETHER

2022 ANNUAL REPORT

STEEL & TUBE HOLDINGS LIMITED

SITE 9, WELLINGTON

The Site 9 project is a premium base-isolated office building within the newly landscaped Kumutoto Wharf area in Wellington. Developed by Willis Bond, the sustainably designed building is due for completion in September 2022. Steel & Tube has worked in partnership with Willis Bond over a number of projects. For this latest development, Steel & Tube has delivered approx. 400 tonnes comprising of structural steel, pipe, hollows and fasteners, 204 tonnes of Reo and 3,726 m^2 of Comflor product, as well as a significant amount pipe and fittings for fire & reticulation purposes.

The Board of Steel & Tube is pleased to present the Annual Report for the year ended 30 June 2022

Susan Paterson | *Chair*

Mark Malpass | *Chief Executive*

19 August 2022

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ABOUT US

OUR PURPOSE IS TO MAKE LIFE EASIER FOR OUR CUSTOMERS NEEDING STEEL SOLUTIONS

We will do this by:

- Providing a one-stop-shop for the most essential steel products, from foundation to roof and everywhere in between
- Doing everything we can to make it easy for our customers to do business with us
- Always looking for ways to work smarter
- Using technology and great thinking to pull it all together and enable a better business
- Building one great team right across the Steel & Tube business

Steel & Tube offers New Zealand's most comprehensive range of steel products, services and solutions, with expertise across the construction industry.

We source, process and distribute steel products – including fastenings, chain and rigging, stainless and engineering steel to customers across New Zealand. We also make steel products to order on a project basis, including roofing, ComFlor decking and reinforcing.

We serve our customers through our national network and our online platform, helping them to build stronger projects and create better outcomes.

We are a proud New Zealand company in our 70th year of trading, having started in 1953. Our people are our greatest strength – the steel backbone of our company. We're passionate, innovative, capable and proud of what we do.

THE NUMBERS

AS AT 30 JUNE 2022

829[1] Team members	**26 SITES** Across New Zealand
46,500+ Product SKUs	**10,500+** Active customers
1.13 Safety eTRIFR.[2] Well below industry average	
7.8/10 Employee engagement score	**35** Employee NPS. Above industry benchmark
Sustainability metrics maintained at prior year level despite uplift in activity:	Fuel consumed: **475kl** Energy use: **525.2 tCO_2e** Greenhouse gas emissions[3]: **1,948 tCO_2e** Emissions intensity[4]: **reduced by 21%**
40 Customer NPS. Significant uplift in score	

[1] Excludes vacancies and contractors. [2] eTRIFR: Employee Total Recordable Injury Frequency Rate per 1 million work hours
[3] Includes Scope 1 and 2 plus business travel (Scope 3). [4] Calculated as total reported emissions/$1M revenue

OUR BUSINESS

We source, process and distribute steel products to customers across New Zealand through our nationwide network of branches and distribution centres.

We have expertise across a diverse range of sectors and reach across the country, offering our customers a wide range of products and solutions to meet their steel needs.

Our competitive advantage is our ability to cross sell our extensive offer to customers, leveraging our national footprint and breadth of product offering.

OUR BUSINESSES

OUR STABLE OF BEST-IN-CLASS BUSINESSES ARE SOME OF THIS COUNTRY'S LEADING STEEL SUPPLIERS

DISTRIBUTION

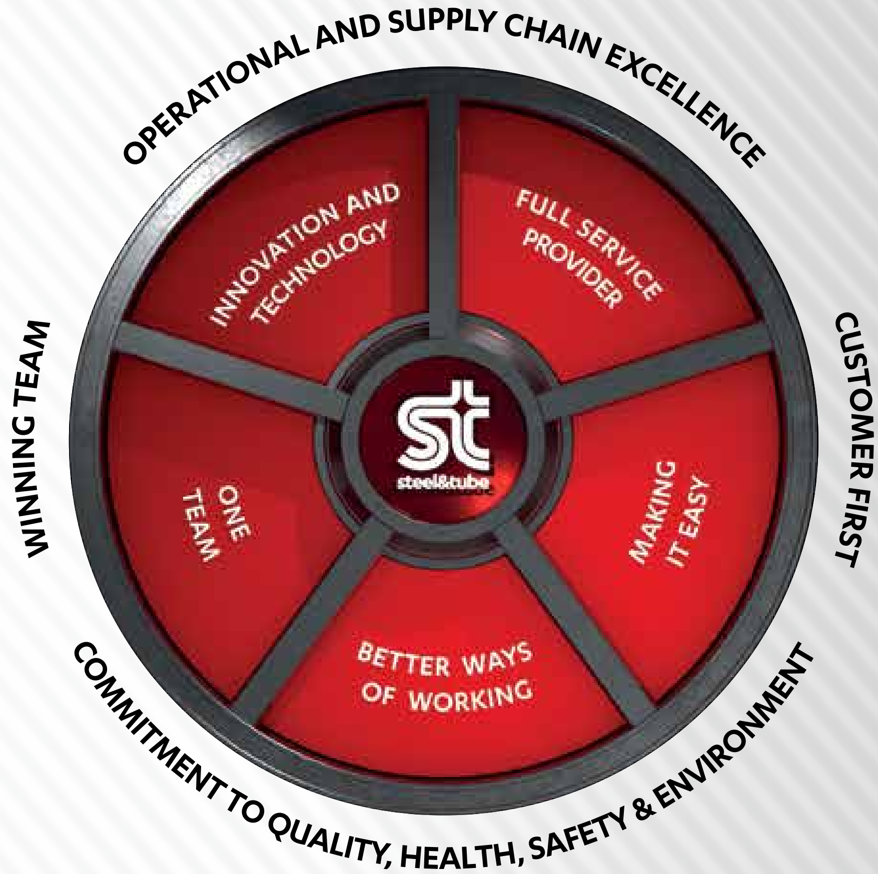
Products sourced from preferred steel mills and distributed through our national network

INFRASTRUCTURE

Products processed before sale, typically on a contract or project basis, including onsite installation services

steel&tube STRONGER TOGETHER | FORTRESS® FASTENERS | ComFlor™ | Hurricane

OUR STRATEGIC ROADMAP



MAKING IT EASY

Deliver the information, expertise, purchasing options and communication channels that make it easy for our customers

FULL SERVICE PROVIDER

Leverage our breadth of expertise, quality products and strong brands to deliver a 'ground up' solution for our customers

BETTER WAYS OF WORKING

Continually improve to ensure an efficient and effective operational platform, with strong operational discipline and excellent customer service

INNOVATION & TECHNOLOGY

Embrace new technology and continually innovate to deliver on our customer and partner strategies – and drive greater efficiency in our business

ONE TEAM

Engage our staff and our businesses behind a common purpose, investing in staff development, recognising and growing their talents and contributions and empowering them to add more customer value

BUILDING ON CORE STRENGTHS AND GROWING HIGH VALUE PRODUCTS AND SERVICES

With structural changes to the business now well embedded and delivering value, we are focused on growth and building a more diversified, resilient business.

Our strategic focus is on two areas:

CONTINUE TO STRENGTHEN THE CORE

Strengthening the core involves building on the strong business foundation now in place.

That means continuing to build best in class customer experiences to ensure we achieve our goal of being New Zealand's preferred supplier of steel products and solutions.

It means leveraging our breadth and scale to cross-sell a wider range of products and services, continually driving improvement in gross margin dollar per tonne and delivering operational efficiencies.

GROW HIGH VALUE PRODUCTS, SERVICES & SECTORS

Our focus is on investing in new products, services and sectors that will extend what we can offer to our customers. This includes adjacent materials and value-added services.

We will continue to invest in our digital and IT offering, and accelerate our shift to digital sales, making it easier for our customers and delivering efficiencies for our business.

Diversifying customer segments and building scale and footprint in high value areas is important. While our primary focus is on organic growth, we also continue to consider opportunities in adjacent sectors.

WELL POSITIONED TO RESPOND TO MARKET CONDITIONS AND DELIVER FOR CUSTOMERS

The 2022 financial year has seen a continuation of the Covid-19 pandemic, along with escalating supply chain, steel mill and labour constraints and increasing inflation.

Pleasingly, demand for steel has rebounded since the early days of the pandemic in 2020 and in many cases, we have seen extraordinary demand as projects and construction reignited after lockdowns. Steel & Tube is well positioned to respond to market conditions and deliver for customers.

Average steel pricing increased by 27% year on year due to a mix of reduced output from China, which accounts for over half of the world's steel output, and an increase in global demand for steel, both for manufacturing consumer items and Government stimulus programmes. More recently, there has been the added impact of the Russia/Ukraine conflict. We expect the current supply and demand trends to continue.

Residential building activity has continued to intensify although we expect that to moderate. We have also seen a recovery in other sectors such as commercial building which has been soft for several years. Manufacturing is expanding and infrastructure construction is also on the rise as Government spending catches up on a long period of under investment. We also have broad exposures to activity that will benefit from macro changes due to climate change, Three Waters, and a focus on circular economy products and services.

Steel & Tube has a number of advantages in the current environment. We are diversified across a range of sectors. We have size, scale and strong supplier relationships that mitigate a lot of the risk from the supply chain pressures. Our strong inventory management and supply chain disciplines have been of significant value and our investment into technology is also paying dividends across all areas of our business.

RECORD RESULTS AND PERFORMANCE AS STEEL & TUBE MOVES FOCUS TO GROWTH

CONTINUE TO STRENGTHEN THE CORE

- Record financial performance in FY22, with profit almost double that of the prior year
- Four consecutive half year periods of revenue and earnings growth
- Year on year volume and sales uplift and margin improvements
- Strong performance from the Distribution business, and continued improvement in the Infrastructure business
- Priority focus on maintaining availability of critical products and high levels of service for customers
- Increased investment in high demand, high margin inventory items
- Earnings momentum supported by structurally lower cost base, strong market reputation and ability to source and deliver product
- Continued investment in digital technologies delivering business efficiencies, high standards of customer service and competitive advantage
- Data driven pricing decisions, strong governance and controls providing resilience in a dynamic environment

GROW HIGH VALUE PRODUCTS, SERVICES & SECTORS

- Accelerating shift to digital sales with customers benefitting from our omni-channel platform for customers
- Acquired Fasteners NZ
- Launch of new product ranges, including Zipclip and Rooffast
- Investment in new manufacturing equipment to further grow market share in existing sectors
- Invested in new plate processing equipment – a high margin, high value sector
- Expanding steel framed housing – widen customer base and investment

Revenue
$599.1m, +24.6%

Volume
167,209 tonnes, +5.7%

EBITDA
$66.6m, +72.5%

EBIT
$47.6m, +130.0%

NPAT
$30.2m, +96.4%

Normalised EBITDA
$66.9m, +77.9%

Normalised EBIT
$47.9m, +143.1%

Investment in inventory
$192.5m, +69.6%

Negotiated two new bank facilities totalling $50m, in addition to existing $50m facility.

Final FY22 dividend of 7.5 cents per share (cps), 50% imputed, taking full year dividends to 13.0 cps.

Normalised EBITDA and Normalised EBIT have been adjusted to exclude non-trading adjustments and unusual transactions. See reconciliation and more details on page 36.

FIVE YEAR JOURNEY OF IMPROVEMENT DELIVERING VALUE

Normalised EBITDA and Normalised EBIT have been adjusted to exclude non-trading adjustments and unusual transactions. See reconciliation and more details on page 36.

STAYING WARM WITH ESCEA FIREPLACES

Designed and handcrafted in Dunedin, Escea is Australasia's leading fireplace manufacturer.

Escea doesn't compromise when it comes to quality, design, or efficiency, which is why they only use the best materials to craft their fires.

"Quality is at the centre of every product we produce, and high-quality steel is a requirement for maintaining both productivity and for producing products that will carry the Escea name for years to come – and take pride of place in the heart of our customers' homes."

Donna Sherriff | *Escea Chief Operating Officer*

CHAIR AND CEO'S REVIEW

Tēnā koe.

On behalf of the Board and Management, we are very pleased to present this year's annual report and reflect on what has been a record year for the company despite the ongoing challenges of Covid-19 and increasing economic headwinds.

Five years ago, we embarked on a journey to reset our organisation for a stronger future. The results of our endeavours are now evident, with Steel & Tube reporting record financial results for the financial year ending 30 June 2022. We would like to thank shareholders for their support on this journey.

We are now well positioned to deliver through the economic cycle. We have a strong business foundation, a focus on operational excellence and disciplined supply chain and inventory management. Our priority is to make it easy for our customers to transact with us and this is delivering market share gains and driving revenue growth. Technology is a key enabler for our business, providing operational leverage and supporting our customer value proposition. We recognise that it is Steel & Tube's people who provide excellent service, expertise and support for our customers, day in and day out.

Our goal is to do business in a way that is financially rewarding for our shareholders and positive for our people, our customers and our planet. It is therefore important to us that we integrate our strategy and sustainability goals into one framework. We continue to build initiatives under each of our five pathways which are focused on customers, our people, technology, service and operational efficiency.

We are continually looking at ways we can 'do business better and smarter' and have a number of innovative programmes in place that enhance our customer proposition, support the development and wellbeing of our people and help reduce environmental impact. You can read about some of these later in this report. Pleasingly, our key metrics continue to improve with year on year improvements in employee safety, customer satisfaction, employee engagement and emissions intensity by revenue.

SHAREHOLDER RETURNS

The Board is pleased to have declared a final dividend of 7.5 cents per share, 50% imputed. This takes full year dividends to 13.0 cents per share and represents 71% of our Adjusted NPAT. This is in line with our policy to pay out 60% - 80% of Adjusted NPAT to our shareholders.

The benefits of our turnaround programme are now well embedded in the business, we have a clear strategy for growth and are a leading supplier in a market with strong demand.

Steel & Tube has a high gross dividend yield, with this year's full year dividend of 13.0 cents per share, representing a yield of 11.4%. This gross yield compares well to our peers. Earnings per share are 18.3 cents per share (cps), with Net Tangible Assets per share at $1.22.

FINANCIAL PERFORMANCE

Steel & Tube delivered record results for the FY22 year, with profit after tax almost doubling to $30.2m (FY21: $15.4m).

Gross margin continues to improve, driving a significant increase in earnings with EBITDA of $66.6m, up 72.5% year on year and normalised EBITDA up 77.9% to $66.9m.

EBIT increased by 130.0% year on year to $47.6m, with normalised EBIT up 143.1% to $47.9m.

These strong results have been driven by delivery on strategic initiatives:

- Volumes and revenues rebuilt post Covid-19; targeting growth and high margin product categories
- Margin improvements driven by product margins, labour and freight efficiencies
- Improved customer service and delivery, a key driver of performance
- Significant structural cost reductions
- Optimised working capital and investment in inventory to support customer growth
- Digital initiatives have been embedded and are now providing commercial benefits
- Growth focused on continuing to strengthen the core and growing high value products, services and sectors

OPERATIONAL PERFORMANCE

Positive economic activity has been driving demand for steel, however, there remains continuing volatility in global and local economies and we expect this to continue in the near to medium term.

Covid-19 continued to disrupt the business during FY22, with regional lockdowns and restrictions in the first half of the year and increased employee absenteeism due to illness in the second half of the year. We've also seen labour constraints, steel mill and supply chain congestion which has impacted on stock availability and increasing steel prices alongside rising inflation and interest rates.

We have a number of advantages in this environment. We are diversified across a range of sectors. We have size, scale and very strong supplier relationships that mitigate a lot of the risk from the supply chain pressures. Our investment into technology is also paying dividends across all areas of our business, making us more efficient and agile.

SUPPLY CHAIN MANAGEMENT

Our focus has been on maintaining availability and high levels of service for customers. Our strong inventory management and supply chain disciplines, and margin and product mix focus have been of significant value in the current environment.

Importantly, we increased our holdings of high demand products in FY22, investing significant cash to ensure availability of critical products for our customers. As shipping and supply chain issues ease, we expect our inventory levels to reduce. Using data analytics, our experienced team has been able to hold inventory unit and tonnes turns in line with previous periods (excluding goods in transit).

Our strong supplier partnerships have put us in good stead during this time and our customer satisfaction rating (Net Promoter Score) continues to rise.

Volumes have been strong, with activity continuing to build in the infrastructure, manufacturing and commercial sectors in particular. In fact, we have recorded some of our busiest days ever, with January 2022 marking the highest level of tonnes handled per day.

Over the next year we will be further optimising our operations and improving logistics to reduce our costs and deliver better service and outcomes.

DIGITISING OUR BUSINESS

Technology is a key enabler for our business and has been an essential element in our positive performance during what has been a challenging procurement environment for our customers. Data analytics, supply chain management and pricing tools have ensured we have been able to source, supply and deliver products to our customers, while our ecommerce platform has allowed them to order products anywhere and at any time. Technology is also delivering benefits by reducing the cost to serve customers, while providing excellent customer service.

Cybersecurity continues to be a focus and we have invested in resiliency of key sites to further protect sensitive data.

Going forward, we will continue to focus on the customer, using insights to tailor offers to different segments of the market; and will be integrating operational technologies, such as manufacturing equipment, more comprehensively into our technology environment. We will continue to develop our pricing analytical tools in FY23, providing the ability to better model and manage pricing in an ongoing volatile environment.

HEALTH, SAFETY AND QUALITY

The health and safety of our people remains our number one priority. We are committed to ensuring our people go home safe, every day. This reflects the safety ethos across our company, with health and safety being a fundamental element in our workplace culture.

Ensuring high quality, durable and trusted products is also essential to what we do. We have continued to raise the bar this year, enhancing our ability to track and trace products, test for compliance and ensuring our products are sourced from independently audited and verified steel mills.

Normalised EBITDA and Normalised EBIT have been adjusted to exclude non-trading adjustments and unusual transactions. See reconciliation and more details on page 36.

OUR PEOPLE

Our team at Steel & Tube have adapted admirably to the challenges of the last year and continue to deliver excellent service to our customers and support our business. We would like to thank and acknowledge our people for their efforts during this time. We strive to provide a rewarding and inclusive workplace and regularly engage with our people to seek out what we can do better. Over the past 12 months, we were pleased to see our employee NPS lift even higher, up to 35 – a great score.

One of our biggest challenges has been the constraints on labour over the last year. Recruitment and even more importantly, retention, of great people has become more of a priority focus. We have a number of programmes in place to ensure we create a rewarding, diverse and inclusive workplace that positions Steel & Tube as an attractive place to work. You can read more about our initiatives on page 29.

SUSTAINABILITY

Our long term aim is to operate our business in a way that is financially rewarding for our shareholders and positive for our people, our customers and our planet.

We are continuing our sustainability journey and are constantly focused on what we can do better to achieve our aims, as well as meet regulatory requirements.

There are several stand out areas that we see as critical for the long term success of our business – maximising steel's contribution to a sustainable and low emission society, supporting our people and customers, and delivering value to our shareholders. You can read more about our actions in these areas on pages 25 to 29.

LOOKING FORWARD

Steel & Tube's journey has taken us from a focus on cost and operational discipline under Project Strive, to now have the foundation and ability to focus on growth and building a more diversified, resilient business.

In particular, we are concentrating our efforts into two key areas – continuing to strengthen our core foundation and investing in higher value products, services and sectors to drive gross margin improvement.

Continuing to strengthen the core

This involves building on the strong business foundation now in place. That means continuing to build best in class customer experiences to ensure we achieve our goal of being New Zealand's preferred supplier of steel products and solutions, leveraging our breadth and scale to cross sell a wider range of products and services, continually driving improvement in gross margin dollar per tonne, and delivering operational efficiencies.

We will also continue to invest in our digital and IT offering, and accelerate our shift to digital sales, making it easier for our customers and delivering efficiencies for our business. Enhanced use of data and analytics and a continued focus on pricing and procurement will help to ensure all opportunities are maximised. Data also enables us to continuously review product lines to ensure our focus is on highest returning products and optimising our inventory investment.

We have an ongoing relentless focus on costs and operational improvements and automation will assist in our endeavours. Going forward, we expect to maintain our current level of normalised operating expenses, with increases in line with inflation and expansion of the business.

Capital expenditure in FY23 is targeted towards our growth pathways:

- Continued investment in digital technology
- Investment in new plate processing equipment and other growth investments
- Increased cashflow will support capital investment programme

Grow high value products, services and sectors

Our growth is targeted towards high value products, services and sectors that will extend what we can offer to our customers. While our primary focus is on organic growth, we also continue to consider opportunities in adjacent sectors.

One such opportunity is in added value plate processing where we have invested into new equipment to expand our plate processing capability and offer. This is a category with strong demand, that provides attractive margins. Our expanded capability will allow us to benefit from growing demand for value-added processed steel plate, while continuing to supply our existing processing customers.

Another identified opportunity is with steel framed housing. While steel framed houses currently make up only c.10% of the market, we expect this to grow given long term timber constraints and the environmental advantages of steel framing, which is infinitely recyclable. Steel & Tube is already a major supplier of slit coil to customers in this fast-growing sector of the market.

These are both exciting opportunities in added value sectors that offer higher margins and growth potential.

FY23 OUTLOOK

Steel & Tube has been in business for almost seven decades and we have successfully traversed numerous economic cycles. We believe that by taking the actions above, we will be well positioned for the future.

Continuing volatility in global and local economies is expected. The steel demand is anticipated to remain strong across a range of sectors. Steel pricing is expected to remain elevated.

Our focus remains on our customers, product and sales growth, gross margin dollar/tonne improvement, strengthening our core and investing in higher value products, services and sectors.

Steel & Tube is well positioned to respond to the changing environment and to take advantage of new market and product opportunities. We have a strong pipeline of secured work in place and expect continued earnings momentum.

Susan Paterson | *Chair*

Mark Malpass | *Chief Executive*

	Strategic Initiative	Early stage	Hitting its stride	Full benefit
Continue to strengthen the core	Continue to build best-in-class customer experience		✓	
	Leverage opportunities to cross sell a wide range of products and services		✓	
	Drive gross margin $/tonne through dynamic pricing and product procurement		✓	
	Ongoing focus on operating model – warehouse operations, digitizing supply chains and customer facing channels		✓	
Grow high value products, services and sectors	Continue to diversify customer segments and build scale in high value sectors	✓		
	Expand plate processing offer and capability	✓		
	Build niche market share through Kiwi Pipe and Fittings	✓		
	Build high value product range via acquisition of Fasteners NZ			✓
	Accelerate shift to digital sales		✓	

SUPPORTING OUR CUSTOMERS

PUTTING THE STEEL IN STOKED STAINLESS HOT TUBS

Steel & Tube is delighted to be a supplier to innovative New Zealand companies, such as Stoked Stainless, helping them deliver quality products to New Zealanders and worldwide.

Stoked Stainless makes handcrafted, stainless steel and cedar hot tubs available in New Zealand and Australia. Each tub is handmade, using the highest quality materials – including stainless steel provided by Steel & Tube. With a stainless steel interior and internal components, exterior bands and wood fire heater, Stoked Stainless tubs require almost no maintenance and minimal cleaning.

OUR BUSINESSES

DISTRIBUTION

Carbon steel, stainless steel, fasteners

Products sourced from preferred steel mills and distributed through our national network

Revenue $383.4m, +33.7%	**EBIT** $40.1m, +164.1%
Normalised EBITDA $50.0m, +110.6%	**Normalised EBIT** $40.1m, +190.3%

INFRASTRUCTURE

Rollforming, ComFlor/CFDL, Reinforcing & Wire

Products processed before sale, typically on a contract or project basis, including onsite installation services

Revenue $215.7m, +11.1%	**EBIT** $7.5m, +14.3%
Normalised EBITDA $13.8m +7.1%	**Normalised EBIT** $7.0m, +9.6%

Normalised EBITDA and Normalised EBIT have been adjusted to exclude non-trading adjustments and unusual transactions. See reconciliation and more details on page 36.

DISTRIBUTION

Distribution performance has been robust, with strong margin growth and earnings more than doubled. This excellent result has been driven by a supportive market environment, the benefits of prior year cost initiatives and an enhanced customer service proposition.

Marc Hainen | *GM Distribution*

Distribution's performance was strong in FY22, with revenues up over 33.7% and tonnes up 7.5% on the prior year. Fortunately, we saw little negative sales effect from Covid-19 with consistently high demand for our products.

This excellent result is despite the continuing rise of international steel prices alongside shipping disruption and increasing costs. Our disciplined pricing approach has allowed us to keep ahead of increases and our long term relationships with steel supply mills and position as one of New Zealand's largest importers on a tonnage basis has helped us secure product and container allocations, ensuring supply continuity for our customers.

DIFOT (delivered in full on time) is our core service measure and all Distribution centres, despite some supply challenges, have steadily improved. Our Customer Excellence Centre is now well established, focussed on delivering consistent, best practice service.

Digital adaption has been positive and is a key part of improving service and lowering our cost to serve for smaller customers. For a number of larger customers, our investment in EDI is already providing synergies.

We have also invested in higher value products and customer segments and this mix improvement has been a significant contributor to our margin growth. We will continue to ensure we match customer value with appropriate cost to serve.

During FY22, we acquired Fasteners NZ for $0.4m which is a good example of a high margin, unique segment of the fasteners market. In August 2022, we acquired Kiwi Pipe and Fittings for $8.9m which again is symbolic of our strategy of selective investment in high value products and customer segments. We have also invested in leading edge plate processing equipment which expands our offer and capability in this high margin sector.

Customer demand is expected to remain strong in the near to medium term. Interest rate and cost escalations, particularly steel, freight, fuel and labour, are expected to continue into FY23 alongside a softening New Zealand dollar. Aided by technology, our ability to effectively manage our margins is becoming increasingly sophisticated and we are confident in our offer and ability to continue our strong performance through the cycle.

ADDING MORE VALUE WITH PLATE PROCESSING

Steel & Tube is increasing its plate processing offer and capability with the top-of-the-line K5000xmc. This is a heavy-duty combination plasma cutting, oxy-fuel cutting, and milling machine that maximises productivity and profitability. This market leading, high capacity machinery has been operational at Steel & Tube since June 2022 and we have already secured a good forward workload. Not only does it deliver substantial operational benefits, but it also reduces waste through optimising the use of remnants.

LEADING THE WAY IN FIRE SAFETY PRODUCTS

The acquisition of Kiwi Pipe and Fittings on 1 August 2022 is symbolic of our strategy to selectively invest in high value products, services and sectors. Kiwi is a specialist, well established and successful provider of fire and reticulation products, primarily to large commercial customers in the upper North Island. While Steel & Tube already offers a range of fire protection products to its customers, bringing Kiwi into the fold makes it one of the larger suppliers in this market.

FASTENERS NZ JOINS THE GROUP

As a leading provider of fasteners (primarily screws, nuts, rivets, nails, anchors and bolts), Steel & Tube added Fasteners NZ to its brand portfolio on 1 July 2021. This is a specialist business with strength in frame and truss fastener products. It also sells power and hand tools to make any job easier. Alongside the Fortress brand, Steel & Tube continues to offer an extensive range of quality fastening products.

INFRASTRUCTURE

REINFORCING

Steel & Tube's reinforcing business felt the most impact from the Covid-19 restrictions, with many infrastructure and large commercial projects deferred or delayed. However, this has opened up capacity to take on a number of other projects, particularly in the infrastructure and commercial construction space.

While traditionally a less attractive sector with low barriers to entry, it is now providing consistent and improving returns as the business model evolves and, in turn, delivers more value for customers.

Digital modelling is enabling Steel & Tube to participate in projects early and optimise outcomes, with 3D software integrating with both the client's model and our internal manufacturing systems. For our customers, this enables cost savings and opportunities to reduce project lead times.

We have focussed on our manufacturing capability and capacity, becoming a trusted, supply-only partner. This provides better value for the customer and optimises the management of risk.

Fixed price contracts have also been unwound as the market adjusts to escalation clauses to better manage rising costs.

With solid demand projected in FY23, the business is well positioned to build profitable returns.

Peter Ensor | *GM Wire/Reinforcing and CFDL*

WE HAVE SEEN STRONG GROWTH AND DEMAND ACROSS ALL PRODUCT SECTORS.

ROLLFORMING

A buoyant residential market and an increase in commercial work has driven an uplift in roofing and significant growth in purlins over the year.

Steel & Tube's Kāinga Ora contract for repairs, maintenance and refitting of roofs is progressing well for all parties. With the announced construction of 18,000 new public and transitional homes to be completed by 2024, we expect our workload to increase significantly. We are undertaking a reset of our main roofing hub in Auckland to support the increase in Kāinga Ora activity and from other customer orders, ensuring we meet our high customer service expectations.

The purlins business has experienced strong growth, with volumes up 69% and revenue increasing 78%. Early identification of supply chain constraints meant smarter procurement planning, thus ensuring stock availability ahead of our competitors and providing customers with certainty of supply. This has paid off well through increased market share and share of wallet. Onboarding new large customers has meant our secured works pipeline is very healthy for FY23. We have also grown our presence in the South Island. To meet expected demand, we are investing in new machinery which will add c.30% more production capacity and we expect this to be commissioned for the start of the FY24 year.

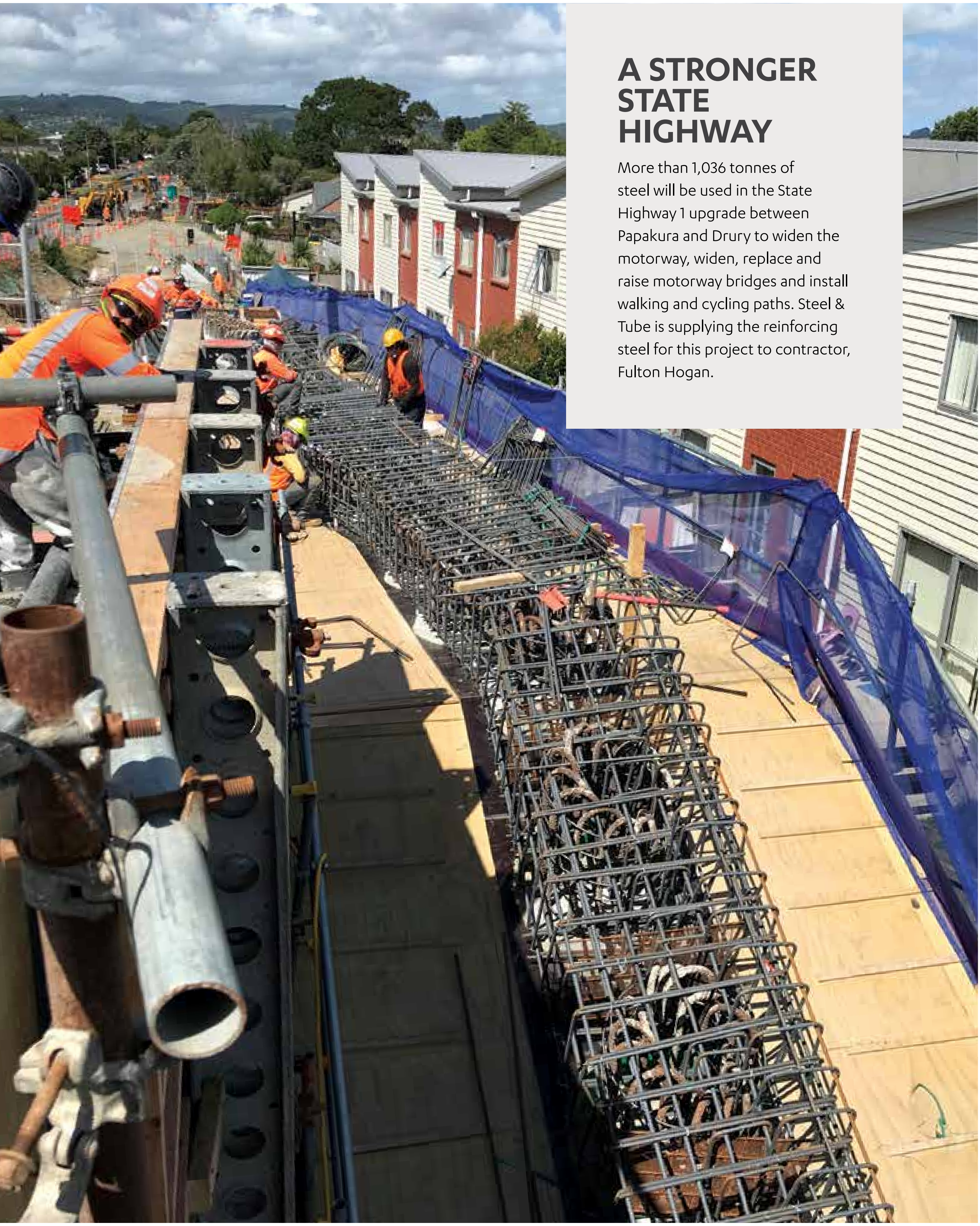
Sheeting and coil processing has seen significant growth due to increased demand for steel framing in both the residential and commercial sectors. Our Red Bud slitting machine is one of the largest in the country and we are implementing additional software to increase capacity to meet growing demand. Steel & Tube is a major supplier of slit coil to the steel framed housing market.

Comflor remains a frequently specified metal decking system by engineers. The expert technical and project management team at our CFDL installation business work closely with main contractors throughout the process, with 3D detailing and modelling often resulting in time and cost savings. Comflor is mainly used in high rise vertical construction projects and we have a good pipeline of secured work ahead of us.

Labour constraints remain a challenge at all levels of the business, as organisations, including large Government funded infrastructure projects, compete for skilled workers. Our focus remains strongly on customer service. Digital sales through the webshop have been growing steadily and the Customer Excellence Centre continues to deliver high levels of service.

Mohammed Afroz | *GM Rollforming*

SHEETING AND COIL PROCESSING HAS SEEN SIGNIFICANT GROWTH DUE TO INCREASED DEMAND FOR STEEL FRAMING IN BOTH RESIDENTIAL & COMMERCIAL SECTORS.



A STRONGER STATE HIGHWAY

More than 1,036 tonnes of steel will be used in the State Highway 1 upgrade between Papakura and Drury to widen the motorway, widen, replace and raise motorway bridges and install walking and cycling paths. Steel & Tube is supplying the reinforcing steel for this project to contractor, Fulton Hogan.


steel&tube

WHAT MATTERS

Our focus is on delivering what our customers want, in a profitable manner that has a positive impact on our people, communities and the planet, while continuing to grow our business and deliver value to shareholders.

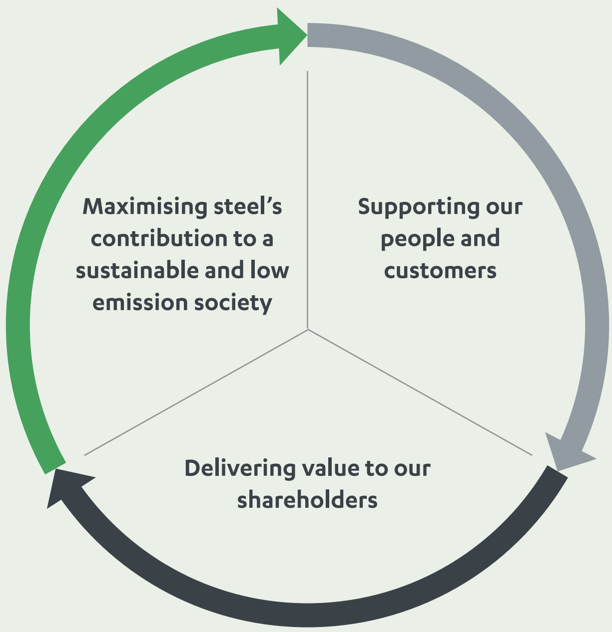
Our long term aim is to operate our business in a way that is financially rewarding for our shareholders and positive for our people, our customers and our planet.

We continue our sustainability journey and are constantly focused on what we can do better to achieve our aims, as well as meet regulatory requirements such as the upcoming introduction of mandatory climate related reporting.

We believe it is essential that we integrate our strategy and sustainability goals into one framework that future proofs our business. In line with this, in FY23 we will be undertaking a review of our strategic framework to ensure it is fit for the future of our company.

There are several stand out areas that we see as critical for the long term success of our business – maximising steel's contribution to a sustainable and low emission society, supporting our people and customers, and delivering value to our shareholders.

We have further identified focus areas that will help us to meet our goal of doing business in a way that is financially rewarding for our shareholders and positive for our people, our customers and our planet. In the next few months, we will be surveying key stakeholders to take into account their views. We will share the outcome of this work with our shareholders in our next annual report.



Maximising steel's contribution to a sustainable and low emission society

Steel is one of the world's most essential and sustainable building products – permanent, forever reusable and the most recycled substance on the planet. On a cradle to cradle basis, steel's environmental performance compares favourably to other materials such as concrete and timber.

In New Zealand, it is estimated that 85% of steel from demolition sites is returned to steel mills for recycling. Extending the life of a structure enables more value to be extracted from the resources invested to build, operate and maintain it. Steel's thermal mass properties keep buildings cooler in summer and warmer in winter, reducing the reliance on air conditioning and heating. For many construction applications, steel is the only choice.

However, we are mindful of the greenhouse gas emitted during steel's production. We are closely monitoring new technologies to decarbonise steel but are conscious these are still in the very early stages. In the meantime, we are focusing on initiatives to control our operational emissions, optimise energy consumption and minimise waste. Our investment in technology is an important enabler of our progress towards reducing our carbon footprint. We are also actively looking for sustainability progress with our key vendors.

One new initiative we are very excited to support in FY23 is a 'carbon credit' offer for infrastructure customers. Now, customers can opt to offset the embodied carbon in the steel they order, which Steel & Tube will facilitate through our partners. These credits will be passed directly through to the customer, with the cost being used to fund the planting and protection of native trees across New Zealand and the Pacific Islands. Steel & Tube does not make any money from this programme.

Supporting our team and our customers

Our team and our customers are central to our strategic framework. We are continually looking at ways we can provide meaningful value to both these important groups of people.

We are conscious that it has been another challenging year for our people and we have worked hard to support them during this time. We have a number of innovative programmes in place around wellbeing, diversity, recruitment, career development and training. Pleasingly, in a competitive labour environment, we have seen a significant uplift in employee satisfaction.

Health and safety remains a priority for every person in our organisation and our safety score (total recordable injury frequency rate) has significantly improved over the last six years and in FY22, was the lowest in our company's history.

There has been a significant emphasis on critical risks and risk reduction measures across our sites, to ensure our operations are executed at the highest level of safety. The Bowtie methodology has been used to assess our six critical risks involving senior executive, location management and operational staff to ensure the appropriate controls are in place, are effective and mitigate risks to as low as reasonably practicable.

Our Safety Conversations program and worker engagement is ongoing, with the objective to get an insight into each person's job and how to keep them safe at all times. The conversations allow us to benefit from their expertise and to understand how they deal with the demands of everyday work and what happens in times of stress or variability. We are looking for differences between how the tasks are proceduralised and how they are performed – and the drivers for that variability. This allows us to ensure that the company has, and is using appropriate resources, processes to eliminate or minimize those risks and hazards.

Building great customer relationships through delivering quality products and providing excellent service is essential for the long term growth and success of our company.

Once again, our customer satisfaction score has increased, up to 40 from 34 in the previous year. Significant effort has gone into ensuring supply of high demand items to our customers in a timely manner, particularly during a time of shipping disruption and supply chain uncertainty.

You can read about some of our initiatives on the following pages.

Delivering value to our shareholders

We are continually looking for ways we can 'do business better and smarter'. Our record results this year demonstrate the strong progress we have made in the last five years, as we firstly reset and rebuilt our company and more recently, as we have focused on growth opportunities.

We are mindful of the investment shareholders make in our company and do not believe in growth for growth's sake. Instead, we have a disciplined approach to investment in new opportunities, to ensure they will deliver financial and strategic value.

Best practice governance and robust financial oversight are fundamental to our business. You can read our Governance Report on pages 78 to 84. Our financial statements are set out on pages 40 to 73.

OUR SUSTAINABILITY JOURNEY TO 2024

FY22 COMPLETED

- Invested in dedicated resource to act on Steel & Tube's climate goals
- Completed design phase of ESG system: Accelerate2Zero
- Initiatives undertaken to support Steel & Tube's sustainability goals
- Board director appointed to champion sustainability

FY23

- Verify material topics with external stakeholders
- Integrate sustainability and strategy into one framework
- Deployment of Accelerate2Zero underway
- Identify climate related risks and opportunities for Steel & Tube
- Validate approach to Climate-related Disclosures and reporting framework
- Continue with initiatives undertaken to support Steel & Tube's sustainability goals
- Set ambitious carbon-reduction targets in line with Science-based target setting

FY24

- Integrate management of climate related risk and opportunities into risk framework
- Implement external assurance process in respect of GHG emissions
- Commence Climate-related Disclosures reporting
- Continue with initiatives undertaken to support Steel & Tube's sustainability goals
- Show progress against carbon-reduction targets on an annual basis

FY22 HIGHLIGHTS IN OUR FOCUS AREAS

COMMITMENT TO QUALITY, HEALTH & SAFETY

- **Occupational health and safety**
- **High quality products and service**

- Historically low employee TRIFR, well below industry average
- Continued training in best practice forklift, crane, offloading and unloading operations
- 8.7 out of 10 employee rating on Steel & Tube's commitment to providing a safe work environment
- Commenced programme to implement Steel & Tube's first IANZ accredited reinforcing testing laboratory, with first audit successfully completed
- Achieved ISO 9001: 2015 Quality Standard recertification for all sites
- Programme in place for adoption of ISO 14001: 2015 Environmental and ISO 45001: 2018 Occupational Health and Safety (OH&S) Certifications in FY23
- Independent third-party supplier mill assessments conducted across China, Taiwan and Austria
- Updated dashboards and digital processes to further improve traceability and match test certificates to products
- Successfully implemented Phase 1 of the Intelex Quality, Health, Safety and Environmental management software via a mobile platform, with Phase 2 now underway

CUSTOMER FIRST

- **Customer satisfaction**
- **Product life cycle performance**

- Net promoter score of 40 (FY21: 34)
- Increased use of data analytics to better understand the needs of different customer segments
- Increased use of EDI for large, high quantity customers
- Continued to enhance the webshop – escalation in customers' usage

ELECTRICITY CONSUMED
525.2 tCO_2e
FY21: 526.2 tCO_2e

RECYCLED WASTE
98.3 TONNES
FY21: 77.4 TONNES

GREENHOUSE GAS EMISSIONS[1]
1,948 tCO_2e
FY21: 1,972 tCO_2e

[1] Steel & Tube is now reporting Scope 1, Scope 2 and Business Travel (Scope 3) emissions. FY21 has been restated for comparison purposes.

FY22 HIGHLIGHTS IN OUR FOCUS AREAS

OPERATIONAL & SUPPLY CHAIN EXCELLENCE

- **Resource efficiency and waste reduction**
- **Financial performance and corporate governance**

- Fortress IT operating platform integrated into the group
- Enhanced supply chain, inventory management and pricing disciplines
- Initiated battery recycling programme
- Commenced programme to replace lights with LED bulbs at all operating sites for an expected 20% reduction of Scope 2 emissions
- Utilising telemetry in vehicles to improve driving behaviour and optimise routes, thereby reducing fuel consumption and GHG emissions
- Achieved Gold certification from Sustainable Steel Council
- Continued to develop expertise in low carbon infrastructure e.g. windfarms, solar energy farms
- Carbon offset ability for customers on reinforcing steel
- Recycled 98.3 tonnes of material destined for landfill and 2,630 tonnes of scrap steel
- Renewed Environmental Choice New Zealand certification through NZ Steel for a number of Roofing products

ONE WINNING TEAM

- **Talent attraction and retention**
- **Culture and wellbeing**
- **Diversity and inclusion**

- Member of Diversity Works NZ
- Proportion of females in the workforce 27%
- Over 4,400 online training modules completed by our team in FY22
- 30 different ethnicities across our workforce
- Introduction of Steel & Tube Career Coaching programme
- Wellbeing Education programme
- Māori cadetship with Te Puni Kokiri
- Partnership with the Red Cross to offer work opportunities to refugees

EMPLOYEE NPS[2]

35

FY21: 19

CUSTOMER NPS[2]

40

FY21: 34

[2] Employee NPS industry average is 18 and Customer NPS industry average is 32.

MERIDIAN ENERGY'S HARAPAKI WINDFARM

Meridian Energy's Harapaki wind farm will be New Zealand's second largest wind farm when completed, with 41 turbines generating around 176 MW of renewable energy, enough to power 70,000 average households.

Steel & Tube has been contracted to supply and install the reinforcing for all of the 41 wind turbine bases, including 492 pile cages and the 41 foundation base cages. Around 3,000 tonnes of reinforcing will be used over 13 months by Steel & Tube to complete this stage of the project. The 1,235 hectare site is very challenging. To assist with the project, Steel & Tube has located a reinforcing project manager on-site to support project execution, build methodology, logistical planning as well as resolving any technical matters that may arise.

This is an example of how Steel & Tube is well positioned to deliver products and expertise in a low carbon environment.

AROUND 3,000 TONNES OF REINFORCING WILL BE USED OVER 13 MONTHS BY STEEL & TUBE

FIVE MINUTES WITH ANNA MORRIS

General Manager People & Culture

HOW HAS STEEL & TUBE BEEN SUPPORTING ITS PEOPLE DURING COVID?

As well as all the safety measures in place to protect the health of our people during the pandemic, we have dialed up support around Wellbeing. Every six weeks, we have been running webinars on a range of topics that affect our people both in the workplace and at home. These range from mental health, parenting, managing stress, financial advice, nutrition and mindfulness. We have had excellent feedback from participants. Our parenting webinar was our most popular so far, with a specialist providing advice on ways to build stronger relationships through communication.

HOW DO YOU HELP YOUR PEOPLE ACHIEVE THEIR WORK GOALS? TELL US ABOUT THE NEW CAREER PATHWAYS PROGRAMME.

We believe that if we upskill our people and help them realise their potential and career goals, then it will benefit not just our business, but also their families and communities.

Our new Career Pathways Coaching programme is something we are very proud of. Fourteen people in all different levels and parts of the business have participated in a four month programme to become trained Career Coaches. They have also worked together as a team to identify different ways people in one role can transfer their skills to another area or role in the company. Any one of our employees can now book in with one of these career coaches to talk about areas of interest or opportunities. The coach will then help them map out a pathway, identifying what skills are transferrable and guide them to gain new skills they may need.

THE LABOUR MARKET IS RUNNING HOT. WHAT ARE YOU DOING TO ATTRACT AND RETAIN STAFF?

We are very conscious that there are a lot of opportunities in the market at the moment. Our focus remains on recruiting new talent, and just as importantly, retaining the great people already in our business.

We support a number of programmes providing work opportunities for school leavers, offer referral incentives for our staff, and this year we have partnered with the Red Cross to offer jobs to refugees. As part of this initiative, the Red Cross also provides mentoring and support to the worker, in what may be a very different environment from their home country. We are also offering internships to University graduates, with our first two digital internships now working full time for Steel & Tube.

Creating a great, inclusive and rewarding workplace is also essential. Our culture and diversity committee leads the way on celebrating cultural events, and all our people are paid at least the living wage effective from 31 December 2022.

Anna Morris
GM People & Culture

LEADERSHIP TEAM

From **L** to **R**

Peter Ensor
GM Reinforcing
BE CIVIL (HONS)

Peter joined Steel & Tube in 2021. He brings extensive construction experience with over 20 years' in the industry. Peter brings to Steel & Tube a successful track record of leading and building teams with a focus of health & safety, quality, financial management and customer engagement. Peter is the current chair of Civil Contractors NZ, Auckland branch.

Damian Miller
GM Quality, Health, Safety and Environment
BN

Damian has over 20 years' international experience in Operations Management, Quality, Health, Safety & Environment, QA/QC, Oil & Gas and most recently the steel industry. He has held various Operations & Executive Management positions in the US, Asia, Africa, Latin America.

Richard Smyth
Chief Financial Officer
BCOM, FCA

Richard joined the Company in 2021. A Fellow Chartered Accountant, Richard has financial and senior level leadership experience across the entertainment and energy sectors. He commenced his career within PwC's audit team, working both in New Zealand and overseas. His most recent role was Deputy Chief Financial Officer at SkyCity. Richard is a board member of the New Zealand Accounting Standards Board.

Mark Baker
GM Supply Chain & Distribution Centres
BSC(HONS), MBA, HMM

Mark joined Steel & Tube in 2020 and brings executive experience in areas such as operations management, manufacturing, technology, supply chain, logistics and customer engagement. He has worked in the information technology, manufacturing, logistics and retail sectors, having held senior roles in leading NZ companies, such as Foodstuffs Auckland, PlaceMakers, NZ Post and Kiwi Dairies.

Marc Hainen
GM Distribution
BBUS, PGDIPBUS

Marc joined the company in 2017. He brings significant experience in the steel and construction industry in New Zealand. Marc has a strong background in sales and marketing management, operations and manufacturing as well as logistics and supply chain. Marc has held a variety of management and leadership roles in New Zealand, Australia and the UK, including multiple roles leading a variety of divisions within Fletcher Building Limited.

Mark Malpass
Chief Executive Officer
MBA, BE (Hons), NZCE

Mark has had significant executive and governance experience both in NZ and overseas. He worked with ExxonMobil Corporation for over 19 years, previously Managing Director of Mobil Oil NZ, and was Chief Executive of Fletcher Building's largest division, Infrastructure Products. Mark was appointed Chief Executive in February 2018, after initially being appointed an Independent Director in March 2017 and then stepping down to take on the interim CEO role in September 2017.

Mohammed Afroz
GM Rollforming
NAT DIP QS

Mohammed has extensive experience with large scale infrastructure projects throughout New Zealand. He was national manager for Composite Floor Decks Ltd before moving to Steel & Tube when the business was acquired in 2016.

Mike Hendry
Chief Digital Officer
BA, MBA, CISM, MINSTD

Mike was appointed to the new role of Chief Digital Officer in 2019. He is an international business and software leader with a focus on implementing digital change. Mike has extensive experience leading the IT, cybersecurity and digital transformation for large companies, including Auckland Airport, Yellow NZ and IBM.

Anna Morris
GM People and Culture
LLB, BA

Anna joined Steel & Tube in 2019. She is an experienced executive with a background in human resources, law and corporate services. Anna has worked extensively in the construction and building industry, with her previous role being Head of People & Performance at Fletcher Construction Company Ltd.

OUR BOARD

The Steel & Tube Board currently comprises six independent directors, who have significant relevant industry and market experience, skills and expertise that are of value to the company.

As advised last year, the Board had been seeking an additional director with experience in digital transformation. In line with this, we were pleased to have appointed Andrew Flavell during the year. Andrew is an accomplished senior technology executive with significant global success in developing and executing strategies to promote business and organisational growth, and driving optimal use of cutting edge technologies, tools and processes. He has held senior executive roles and driven digital transformations at companies such as Nike and Microsoft and most recently as Chief Technology Officer at Plexure, the NZX-listed global mobile engagement company.

Andrew's extensive experience is of significant value to Steel & Tube and meets a need identified in the Board Skills Matrix. This Matrix identifies the skill set which the Board believes adds value to Steel & Tube. Directors' capabilities are considered as a collective against this skills matrix and the Board believes that the current Directors offer valuable and complementary skill sets. Importantly, the majority of Steel & Tube's Directors have either worked in, or are involved in directorships, in the sector. The Matrix can be viewed on page 79 of this Report.

SUSAN PATERSON

ONZM, CFINSTD, MBA (LDN), BPHARM

Appointed: 16 January 2017

Roles: Chair and Independent Director

Susan was appointed Chair on 16 February 2017. A professional Director since 1996, in 2015 Susan was appointed an Officer of the Order of New Zealand (ONZM) for her services to corporate governance. Having trained and practiced as a pharmacist, Susan completed her MBA at London Business School, then worked in strategy and IT consulting and management roles in New Zealand, Europe and USA. She worked in the steel sector at Fletcher Challenge and was General Manager of Wiremakers. Susan's directorships also include Arvida Group, Theta Systems (Chair), Les Mills NZ, the Reserve Bank, ERoad and Lodestone Energy. Susan is a mentor on the Institute of Director's Mentoring for Diversity programme.

CHRIS ELLIS

BE, MS, CMINSTD

Appointed: 29 September 2017

Role: Independent Director

Chris' background spans the manufacturing, heavy construction and engineering sectors. He qualified with a civil engineering degree from the University of Canterbury, a Master of Science in civil engineering from Stanford University and more recently a senior executive program at Wharton Business School. He is an experienced, strategy-focused director with an extensive career in the Australasian building industry. He has held CEO roles with Brightwater Group and at Fletcher Building where he was Chief Executive of the Building Products Division. Chris's directorships include Hiway Group, Horizon Energy Group, and Steelpipe NZ, and he is Independent Chair at Oxcon Ltd.

STEVE REINDLER

BE MECH (Hons), AMP, FIPENZ, CFINSTD

Appointed: 28 August 2017

Role: Independent Director

Steve is an engineer with a background in large-scale infrastructure and heavy industry manufacturing. He was GM Engineering at Auckland International Airport for 11 years, and his previous employment included 22 years with NZ Steel and BHP Steel where he held a number of roles including GM Engineering and Environment. Steve was inaugural chairman of the Chartered Professional Engineers Council and President of the New Zealand Institution of Professional Engineers. Steve's current directorships include Broome International Airport Group, Christchurch Multi Use Arena Project, he is chair of Waste Disposal Services JV, D&H Steel Construction Ltd, Clearwater Construction Ltd, Lincoln University Science North Building Programme, and is a Trustee of the Whitford Community Charitable Trust.

JOHN BEVERIDGE

BA, Post Grad Business Diploma, CMINSTD

Appointed 14 August 2019

Role: Independent Director

John has held a range of senior executive roles across a variety of sectors including building and industrial materials manufacturing, distribution, finance and consumer goods. John was most recently the Chief Executive for the building trade materials supplier, Placemakers, and previously held leadership roles at Godfrey Hirst, Lion Nathan and Barclays Bank PLC. He currently sits on the boards of Horizon Energy Group, NZ Scaffolding Group (Chair) and Door+Window Systems Auckland. He has an economics degree from Otago University, Post Graduate Marketing Diploma from Auckland University and has completed the Senior Executive program at Columbia University, New York.

KAREN JORDAN

BSOCSC, FCMA, CFINSTD

Appointed 10 December 2020

Role: Independent Director

Karen is a director experienced across private, public and not-for-profit sectors. She is a Chartered Fellow of the IOD NZ and a Fellow of CIMA. Karen has over 20 years corporate experience in FTSE listed energy companies in the UK energy infrastructure sector. She is currently a director on the Board of City Rail Link Ltd, an Independent Member of the NZDF Risk & Assurance Committee and of the NZ Inland Revenue Risk & Assurance Committee.

ANDREW FLAVELL

NZCE, BE (HONS), ME, Dr. Eng.

Appointed: 1 October 2021

Role: Independent Director

Dr. Flavell was appointed in October 2021. He has extensive international experience in the Information Technology space, having previously held leadership roles at both Microsoft and Nike in the USA. He has led large teams driving digital transformations and delivering compelling consumer experiences and has experience in distributed computing, Personalization and Loyalty, Privacy and Security, and AI and machine learning. In the roles he has held over the past 30 years he has also contributed significantly to risk management and governance in the application of digital technologies.

FINANCIAL MEASURES

NON-GAAP FINANCIAL INFORMATION

Steel & Tube uses several non-GAAP measures when discussing financial performance. These include Normalised EBITDA, Normalised EBIT and Working Capital. Management believes that these measures provide useful information on the underlying performance of Steel & Tube's business. They are used internally to evaluate performance, analyse trends and allocate resources. Non-GAAP financial measures should not be viewed as a substitute for measures reported in accordance with NZ IFRS.

NON-TRADING ADJUSTMENTS/UNUSUAL TRANSACTIONS

The financial results for FY22 include transactions considered to be non-trading in either their nature or size. Unusual transactions can be as a result of specific events or circumstances or major acquisitions, disposals or divestments that are not expected to occur frequently. Excluding these transactions form normalised earnings and can assist users in forming a view of the underlying performance of the Group.

EBITDA/EBIT

EBITDA is Earnings/(Loss) before the deduction of interest, tax, depreciation and amortisation. EBIT is Earnings/(Loss) before the deduction of interest and tax. These are both non-GAAP financial measures. FY22 EBITDA and EBIT were impacted by non-trading adjustments totalling $0.3 million.

Earnings before interest, tax, other gains and losses and impairment represents operating profit for the year before other gains and losses, impairment and deduction of interest and tax. Earnings before interest, tax and impairment represents operating profit for the year including other gains and losses before impairment and deduction of interest and tax. Management believes that these additional measures provide useful information on the underlying performance of the Group's business.

NORMALISED EBITDA/EBIT

This means EBITDA/EBIT excluding non-trading adjustments and unusual transactions. Management believe that normalised measures provide a more appropriate measure of Steel & Tube's performance and more useful information on the normalised earnings of the company.

WORKING CAPITAL

This means the net position after Current liabilities are deducted from Current assets. The major individual components of Working capital for the Group are Inventories, Trade and other receivables and Trade and other payables. How the Group manages these has an impact on operating cash flow and borrowings.

	EBITDA		EBIT	
Reconciliation of Reported to Normalised Earnings	FY22	Restated [1] FY21	FY22	Restated [1] FY21
Year Ended 30 June	$000	$000	$000	$000
Reported	**66,598**	**38,614**	**47,636**	**20,707**
Holiday Pay provision release	(854)	-	(854)	-
NZ IFRS 16 reversal of impairment	(527)	(1,546)	(527)	(1,546)
Gain on sale of properties	-	(1,215)	-	(1,215)
Software as a Service (SaaS) expenditure	1,645	1,760	1,645	1,760
Normalised	**66,862**	**37,613**	**47,900**	**19,706**

[1] Comparatives have been restated for the impact of a change in accounting policy in regards to the accounting for Software as a Service arrangements. Refer to Note C2 in the Financial Statements for further details.

FIVE YEAR FINANCIAL PERFORMANCE

	2022 $000	Restated [1] 2021 $000	2020 $000	2019 $000	2018 $000
Financial Performance					
Sales	**599,148**	481,043	417,923	498,110	495,806
EBITDA	**66,598**	38,614	(37,236)	24,085	(28,127)
Depreciation and amortisation	**(18,962)**	(17,907)	(20,458)	(7,290)	(8,060)
EBIT	**47,636**	20,707	(57,694)	16,795	(36,187)
Net interest expense	**(5,701)**	(5,754)	(6,661)	(2,828)	(4,631)
Profit / (loss) before tax	**41,935**	14,953	(64,355)	13,967	(40,818)
Tax (expense) / benefit	**(11,742)**	418	4,342	(3,552)	8,768
Profit / (loss) after tax	**30,193**	15,371	(60,013)	10,415	(32,050)
Operating cash (outflow) / inflow	**(34,117)**	29,332	39,606	21,304	1,323
Funds Employed					
Equity	**210,101**	193,753	181,290	253,901	172,612
Non-current liabilities	**83,788**	92,023	106,084	26,699	113,826
	293,889	285,776	287,374	280,600	286,438
Comprises					
Current assets	**303,790**	222,510	193,761	213,827	228,887
Current liabilities	**(139,971)**	(80,024)	(58,871)	(45,563)	(59,099)
Working Capital	**163,819**	142,486	134,890	168,264	169,788
Non-current assets	**130,070**	143,290	152,484	112,336	116,650
	293,889	285,776	287,374	280,600	286,438
Statistics					
Dividends per share (cents) [2]	**13.0**	4.5	-	5.0	7.0
Basic earnings per share (cents)	**18.3**	9.3	(36.4)	6.8	(20.9)
Return on Sales	**5.0%**	3.2%	(14.4%)	2.1%	(6.5%)
Return on Equity	**14.4%**	7.9%	(33.1%)	4.1%	(18.6%)
Working Capital (times)	**2.2**	2.8	3.3	4.7	3.9
Net tangible assets per share	**$1.22**	$1.11	$1.03	$1.19	$1.27
Equity to total assets	**48.4%**	53.0%	52.4%	77.8%	50.0%
Gearing (debt to debt plus equity)	**19.5%**	-	5.2%	5.6%	37.7%
Net Interest cover (times)	**8.4**	3.6	(4.9)	5.9	(7.8)
Ordinary shareholders	**7,385**	7,528	8,036	8,310	8,163
Employees	**829**	799	884	1,003	1,015
- Female	**224**	201	192	214	203
- Male	**605**	598	692	789	812
Directors & Officers					
- Female	**3**	3	4	6	4
- Male	**12**	11	10	9	8

[1] Comparatives have been restated for the impact of a change in accounting policy in regards to the accounting for Software as a Service arrangements. Refer to Note C2 for further details.

[2] Dividends per share are calculated based on dividends issued in respect of the financial year.

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FINANCIAL STATEMENTS 2022

THE FINANCIAL REPORT FOR STEEL & TUBE INCLUDES THESE SECTIONS:

- **Financial Statements**
- **Performance**
- **Working Capital**
- **Fixed Capital**
- **Funding**
- **Other**

KEY POLICY

Significant accounting policies which are relevant to the understanding of the financial statements are highlighted throughout the report.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Preparation of these financial statements requires the exercise of judgements that affect the application of accounting policies, the reported amounts of assets and liabilities, and income and expenses.

Estimates and judgements are continually evaluated, based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions about the future. Actual results may differ from these estimates.

KEY JUDGEMENT

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying value of assets and liabilities within the next financial year are highlighted throughout the report.

GENERAL INFORMATION

Steel & Tube Holdings Limited (the Company or Steel & Tube) is registered under the Companies Act 1993 and is a FMC Reporting Entity under the Financial Markets Conduct Act 2013. The Company is a limited liability company incorporated and domiciled in New Zealand. The Group comprises Steel & Tube Holdings Limited and its subsidiaries.

The Group's principal activities relate to the distribution and processing of steel products, fastenings and metal floor decking.

The registered office of the Company is 7 Bruce Roderick Drive, East Tamaki, Auckland, 2013, New Zealand.

These financial statements have been prepared:

- In accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP), for which Steel & Tube is a for-profit entity
- To comply with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and with International Financial Reporting Standards (IFRS)
- In accordance with the requirements of Part 7 of the Financial Markets Conduct Act 2013 and the NZX Main Board Listing Rules (issued 17 June 2022)
- In New Zealand dollars (which is the Company's and subsidiaries' functional currency and the Group's presentation currency) and rounded to the nearest thousand dollars
- Under the historical cost convention, as modified by the revaluation of certain assets as identified in specific accounting policies.

NON-GAAP FINANCIAL INFORMATION

The Group's standard profit measure prepared under New Zealand Generally Accepted Accounting Practice (GAAP) is profit for the period, or net profit after tax. The Group also uses non-GAAP financial information which is not prepared in accordance with New Zealand International Financial Reporting Standards (NZ IFRS) when discussing financial performance. The Directors and Management believe that this non-GAAP financial information provides useful information to readers of the financial statements to assist in the understanding of the Group's financial performance.

Definitions of non-GAAP financial information used in these financial statements are:

- Earnings before interest, tax, other gains and losses and impairment;
- Earnings before interest, tax and impairment; and
- Earnings before interest and tax.

COVID-19 PANDEMIC

The World Health Organisation declared a global pandemic on 11 March 2020 due to the outbreak and spread of Covid-19. An outbreak of the Delta variant was detected in New Zealand during August 2021 which subsequently led to Alert Level 4 and 3 lockdowns imposed by the New Zealand Government. Whilst this has impacted the Group's results, there has been a strong recovery in revenues following Auckland and other regions returning to Covid-19 Alert Level 3 and below.

The Group was eligible for and received $1.1m in relation to the New Zealand Government's wage subsidy, which has been recognised in other operating income in the Statement of Profit or Loss and Other Comprehensive Income (30 June 2021: nil).

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2022

	Notes	2022 $000	Restated [1] 2021 $000
Sales revenue	A3	**599,148**	481,043
Other operating income	A6	**1,463**	273
Cost of sales	A2	**(465,514)**	(382,949)
Operating expenses	A2	**(86,305)**	(79,188)
Software as a Service (SaaS) upfront expenditure	C2	**(1,645)**	(1,760)
Earnings before interest, tax, other gains and losses and impairment		**47,147**	17,419
Other (losses) / gains		**(38)**	1,410
Earnings before interest, tax and impairment		**47,109**	18,829
Reversal of impairment of Right-of-use assets	C4	**527**	1,878
Earnings before interest and tax		**47,636**	20,707
Interest income		**106**	98
Interest expense		**(5,807)**	(5,852)
Profit before tax		**41,935**	14,953
Tax (expense) / credit	A5	**(11,742)**	418
Profit for the period attributable to owners of the Company		**30,193**	15,371
Items that may subsequently be reclassified to profit or loss			
Other comprehensive income – hedging reserve		**157**	488
Items that may not subsequently be reclassified to profit or loss			
Other comprehensive income – deferred tax on revaluation reserve		**-**	245
Total comprehensive income		**30,350**	16,104
Basic earnings per share (cents)	A1	**18.3**	9.3
Diluted earnings per share (cents)	A1	**18.1**	9.3

[1] Comparatives have been restated for the impact of a change in accounting policy in regards to the accounting for Software as a Service arrangements. Refer to Note C2 for further details.

STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2022

	Notes	Share capital $000	Retained earnings $000	Hedging reserve $000	Revaluation reserve $000	Treasury shares $000	Share-based payments $000	Total equity $000
Restated balance at 1 July 2021		**156,669**	**38,914**	**403**	**-**	**(2,896)**	**663**	**193,753**
Comprehensive income								
Profit after tax		**-**	**30,193**	**-**	**-**	**-**	**-**	**30,193**
Other comprehensive income								
Hedging reserve (net of tax)		**-**	**-**	**157**	**-**	**-**	**-**	**157**
Total comprehensive income		**-**	**30,193**	**157**	**-**	**-**	**-**	**30,350**
Transactions with owners								
Dividends paid	A1	**-**	**(14,589)**	**-**	**-**	**-**	**-**	**(14,589)**
Employee share schemes		**-**	**252**	**-**	**-**	**-**	**335**	**587**
Balance at 30 June 2022		**156,669**	**54,770**	**560**	**-**	**(2,896)**	**998**	**210,101**
Balance at 1 July 2020		**156,669**	**22,541**	**(85)**	**4,552**	**(2,896)**	**509**	**181,290**
Committee decision for Software as a Service in opening retained earnings in relation to 2020[1]	C2		(2,055)					(2,055)
Restated balance as at 1 July 2020		**156,669**	**20,486**	**(85)**	**4,552**	**(2,896)**	**509**	**179,235**
Comprehensive income								
Profit after tax (restated) [1]		-	15,371	-	-	-	-	15,371
Other comprehensive income								
Hedging reserve (net of tax)		-	-	488	-	-	-	488
Release of revaluation to retained earnings (net of tax)		-	4,797	-	(4,552)	-	-	245
Total comprehensive income		**-**	**20,168**	**488**	**(4,552)**	**-**	**-**	**16,104**
Transactions with owners								
Dividends paid	A1	-	(2,008)	-	-	-	-	(2,008)
Employee share schemes		-	268	-	-	-	154	422
Restated balance at 30 June 2021		156,669	38,914	403	-	(2,896)	663	193,753

[1] Comparatives have been restated for the impact of a change in accounting policy in regards to the accounting for Software as a Service arrangements. Refer to Note C2 for further details.

BALANCE SHEET

As at 30 June 2022

	Notes	2022 $000	Restated [1] 2021 $000
Current assets			
Cash and cash equivalents	E6	**8,046**	25,033
Trade and other receivables	B2	**90,971**	75,003
Contract assets	A4	**10,822**	8,398
Inventories	B1	**192,460**	113,469
Derivative assets	E6	**1,491**	607
		303,790	222,510
Non-current assets			
Deferred tax	A5	**7,582**	12,865
Income tax receivable		**-**	1,361
Property, plant and equipment	C1	**35,925**	34,393
Intangibles	C2	**7,875**	9,134
Right-of-use assets	C4	**78,688**	85,537
		130,070	143,290
Total assets		**433,860**	365,800
Current liabilities			
Trade and other payables	B3	**69,627**	63,892
Borrowings	D1	**51,000**	-
Income tax payable		**5,014**	-
Provisions	E2	**767**	3,006
Derivative liabilities	E6	**8**	47
Short term lease liabilities	C4	**13,555**	13,079
		139,971	80,024
Non-current liabilities			
Provisions	E2	**1,271**	1,281
Long term lease liabilities	C4	**82,517**	90,742
		83,788	92,023
Equity			
Share capital	D3	**156,669**	156,669
Retained earnings		**54,770**	38,914
Other reserves		**(1,338)**	(1,830)
		210,101	193,753
Total equity and liabilities		**433,860**	365,800

[1] Comparatives have been restated for the impact of a change in accounting policy in regards to the accounting for Software as a Service arrangements. Refer to Note C2 for further details.

These financial statements and the accompanying notes were authorised by the Board on 19 August 2022.

For the Board

Susan Paterson | *Chair*   Karen Jordan | *Director*

STATEMENT OF CASH FLOWS

For the year ended 30 June 2022

	2022 $000	Restated [1] 2021 $000
Cash flows from operating activities		
Customer receipts	**580,911**	468,634
Interest receipts	**106**	77
Payments to suppliers and employees	**(610,430)**	(433,683)
Payments for interest on leases	**(4,634)**	(4,998)
Interest payments	**(1,176)**	(698)
Wage subsidy received	**1,106**	-
Proceeds for litigation settlement	**-**	(1,563)
Insurance proceeds received	**-**	1,563
Net cash (outflow) / inflow from operating activities	**(34,117)**	29,332
Cash flows from investing activities		
Property, plant and equipment disposal proceeds	**74**	8,650
Property, plant and equipment and intangible asset purchases	**(6,179)**	(5,538)
Net cash (outflow) / inflow from investing activities	**(6,105)**	3,112
Cash flows from financing activities		
Proceeds from / (repayment of) bank borrowings	**51,000**	(10,000)
Dividends paid	**(14,589)**	(2,008)
Payment for leases	**(13,176)**	(12,821)
Net cash inflow / (outflow) from investing activities	**23,235**	(24,829)
Net (decrease) / increase in cash and cash equivalents	**(16,987)**	7,615
Cash and cash equivalents at the beginning of the year	**25,033**	17,418
Cash and cash equivalents at the end of the year	**8,046**	25,033
Represented by:		
Cash and cash equivalents	**8,046**	25,033
	8,046	25,033
Reconciliation of profit after tax to cash flows from operating activities		
Profit after tax	**30,193**	15,371
Non-cash adjustments:		
Depreciation and amortisation	**18,962**	17,907
Tax expense	**11,742**	(493)
Reversal of impairment of right-of-use assets	**(527)**	(1,878)
Other gains on lease reassessments	**-**	(582)
Share scheme expense	**443**	425
Other	**(366)**	268
Gain on items classified as investing activities:		
Loss / (gain) on property, plant and equipment disposals	**38**	(828)
	60,485	30,190
Movements in working capital:		
Inventories	**(78,991)**	(12,408)
Trade and other receivables	**(18,393)**	(9,604)
Trade and other payables and provisions	**2,782**	21,154
Net cash inflow from operating activities	**(34,117)**	29,332

[1] Comparatives have been restated for the impact of a change in accounting policy in regards to the accounting for Software as a Service arrangements. Refer to Note C2 for further details.

PERFORMANCE

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2022

This section focuses on the Group's financial performance and returns provided to Shareholders.

A1: DIVIDENDS AND EARNINGS PER SHARE

On 22 February 2022, the Board declared an unimputed interim dividend of 5.53 cents per share ($9.1m). The dividends were paid to shareholders on 25 March 2022. On 19 August 2022, the Board declared a final dividend (partially imputed) of 7.50 cents per share (2021: 3.29).

	2022 $000	2021 $000
Dividends paid	**14,589**	2,008

Dividends were paid / payable in respect of the following years:	FY22 $000	FY21 $000
Interim Dividend Paid	**9,128**	2,008
Final Dividend Payable / Paid	**12,448**	5,461
Total	**21,576**	7,469

Cents per share	FY22	FY21
Interim Dividend (unimputed)	**5.50**	1.21
Final Dividend	**7.50**	3.29

Final dividend declared for FY22 will be partially imputed (FY21: unimputed).

Basic earnings per share is calculated by dividing the net profit attributable to shareholders by the weighted average number of fully paid shares less treasury shares.

Diluted earnings per share includes partly paid shares (see Note D3) and represents the Group's earnings per share if unvested share rights were exercised. The weighted average number of shares is adjusted by the number of outstanding rights to executive shares that are deemed to vest at their future vesting dates.

Earnings per share (EPS)	2022 $000	Restated [1] 2021 $000
Profit after tax	**30,193**	15,371
Weighted average number of shares for basic EPS	**165,000**	165,000
Weighted average number of shares for diluted EPS	**167,653**	166,026
Basic earnings per share (cents)	**18.3**	9.3
Diluted earnings per share (cents)	**18.1**	9.3

[1] Comparatives have been restated for the impact of a change in accounting policy in regards to the accounting for Software as a Service arrangements. Refer to Note C2 for further details.

A2: EXPENSES

Cost of sales and operating expenses:	Notes	2022 $000	Restated [1] 2021 $000
Inventories expensed in cost of sales		**431,096**	349,883
Impairment of trade and other receivables		**293**	(79)
Depreciation and amortisation	C1/C2/C4	**18,962**	17,907
Directors' fees		**526**	449
Donations		**-**	1
Employee benefits		**73,744**	69,263
Defined contribution plans		**1,700**	1,519
Information technology expenses		**7,008**	6,811
Foreign exchange gains		**(123)**	(860)
Short term and low value lease costs		**313**	232
Other expenses		**18,300**	17,011
Total cost of sales and operating expenses		**551,819**	462,137

[1] Comparatives have been restated for the impact of a change in accounting policy in regards to the accounting for Software as a Service arrangements. Refer to Note C2 for further details.

Inventory sold during the period is expensed as cost of sales. Inventory write-downs of $0.6m (2021: $1.3m) was incurred in the ordinary course of business which are included within Inventories expensed in cost of sales.

Depreciation of $1.6 million (2021: $1.5 million) related to equipment used to manufacture products is included in cost of sales. Depreciation of right-of-use assets and other depreciation is included in operating expenses.

A3: OPERATING SEGMENTS

The Group has identified two reporting segments as at 30 June 2022 having regard for the criteria outlined in NZ IFRS 8 Operating Segments (NZ IFRS 8). The Group's Chief Operating Decision Maker (being the CEO) receives financial reports which aggregate the activities of the Group's various operating segments into two distinct divisions, being Distribution and Infrastructure.

These reportable segments have been determined by having regard to the nature of products, services and processes the various Business Units undertake to service customers. The Group has a diverse range of customers from various industries, with no single customer contributing more than 10% of the Group's revenue.

The Group derives its revenue from the distribution and processing of steel and associated products. Within the Distribution business, the primary focus is on the distribution of steel products and fasteners, servicing similar customer groups, sharing similar business models and trading skills, and using similar sales channels. The majority of product is traded and sales staff are tasked to know the full range of products. Within the Infrastructure business, product is predominately steel product which is bought and processed/ manufactured in warehouse facilities for project/contract customers.

The CEO uses EBIT as a measure to assess the performance of segments. The segment information provided to the CEO for the period ended 30 June 2022 is as follows:

2022	Distribution $000	Infrastructure $000	Other $000	Reconciled to Group $000
Timing of revenue recognition				
At a point in time	383,449	126,370	14	**509,833**
Over time	-	89,315	-	**89,315**
Revenue from external customers	**383,449**	**215,685**	**14**	599,148
Depreciation and amortisation	(9,886)	(6,783)	(2,293)	**(18,962)**
Expenses	(333,418)	(201,411)	2,279	**(532,550)**
Segment EBIT	**40,145**	**7,491**	**-**	47,636
Interest on leases	(2,722)	(1,899)	(13)	**(4,634)**
Interest – others (net)				**(1,067)**
Reconciled to Group Profit Before Tax				**41,935**

2021 Restated	Distribution $000	Infrastructure $000	Other $000	Reconciled to Group [1] $000
Timing of revenue recognition				
At a point in time	286,906	98,166	17	**385,089**
Over time	-	95,954	-	**95,954**
Revenue from external customers	**286,906**	**194,120**	**17**	**481,043**
Depreciation and amortisation	(9,920)	(6,490)	(1,497)	**(17,907)**
Expenses	(261,786)	(181,078)	435	**(442,429)**
Segment EBIT	**15,200**	**6,552**	**(1,045)**	**20,707**
Interest on leases	(2,913)	(2,057)	(28)	**(4,998)**
Interest – others (net)				**(756)**
Reconciled to Group Profit Before Tax				**14,953**

[1] Comparatives have been restated for the impact of a change in accounting policy in regards to the accounting for Software as a Service arrangements. Refer to Note C2 for further details.

Depreciation and amortisation recognised as at 30 June 2022 is inclusive of depreciation recognised under NZ IFRS 16 Leases, which is in line with the financial reports received by the CEO.

Interest recognised under NZ IFRS 16 Leases is shown separately in the financial reports provided to the CEO. Other interest income and expense are not allocated to segments as these are driven by the central treasury function, which manages the cash position of the Group.

Assets and liabilities are reported to the CEO on a Group basis, and are not separately reported with respect to the individual operating segments.

Sales between segments are eliminated on consolidation. The amounts provided to the CEO with respect to segment revenue are measured in a manner consistent with that of the financial statements. Comparative figures have been amended to align with current year presentation.

A4: REVENUE RECOGNISED ON CONSTRUCTION CONTRACTS

KEY POLICY

Refer to Note E9 to the Group's accounting policy on revenue recognised on construction contracts (refer to "Supply and Installation Sales" and "Supply Only Sales"). A contract asset is recognised when the Group has completed its performance obligation in advance of the cash consideration (or the Group's entitlement to invoice the customer). A contract liability is recognised when the Group receives cash consideration (or it is due) in advance of the obligation being performed.

KEY JUDGEMENT – CONSTRUCTION CONTRACTS

Estimates and judgements are made by the Group when assessing construction contracts. These vary between each project based on specific contractual terms. The estimates and judgements inherent in accounting for the Group's construction contracts relate to the assessment of the forecast costs to complete the project and the quantum and likelihood of any revenue variations that the Group is contractually entitled to. If forecast costs are expected to exceed forecast revenues, a provision for onerous contract loss is recognised.

	2022 $000	2021 $000
Contract assets	**10,822**	8,398

The contract assets relate to the Group's rights to consideration for work completed but not billed at the reporting date. The Group's contract liabilities are not material either in the current or comparative year. In prior year, contract assets were included within trade and other receivables balance and comparative figures have been amended to align with current year presentation.

The aggregate amount of the transaction price allocated to long-term construction contracts that are partially or fully unsatisfied as at 30 June 2022 is $24.9m (30 June 2021: $23.9m). The Group expects this revenue to be recognised over the next two years.

A5: INCOME AND DEFERRED TAX

Income tax comprises both current and deferred tax.

All entities in the Group are part of the same income tax group.

KEY POLICY

Current tax is the expected payable on the taxable income for the period, using current tax rates, and any adjustment to tax payable in respect of prior periods.

Deferred tax is recognised in respect of temporary differences arising between the tax base of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets are only recognised to the extent that it is probable future taxable profits will offset temporary differences. Tax rates used are those that have been enacted or substantially enacted at balance date and which are expected to apply when the deferred tax asset or liability crystallises.

Deferred tax is not provided if it arises from the following differences:

- Goodwill not deductible for tax purposes
- Initial recognition of assets and liabilities in a transaction other than a business combination that affects neither accounting or taxable profit and
- Investment in subsidiaries where the timing of the reversal of the temporary difference is controlled by the Group to the extent that they will probably not reverse in the foreseeable future

Income and deferred tax

Income tax expense The income tax expense is determined as follows:	2022 $000	Restated [1] 2021 $000
Profit or loss		
Current income tax		
Current year income tax expense	**6,378**	-
Deferred income tax		
Depreciation, provisions, accruals, tax losses and other	**5,437**	(210)
Adjustment on application of IFRS Interpretation Committee decision	**-**	(293)
Adjustments in respect of prior periods	**(73)**	85
Income tax expense/(credit) recognised in profit or loss	**11,742**	(418)

Reconciliation of income tax expense / (credit)	2022 $000	Restated [1] 2021 $000
Profit before tax	**41,935**	14,953
Non-assessable income	**-**	(1,503)
Non-deductible expenditure	**256**	297
	42,191	13,747
Tax at current rate of 28%	**11,815**	3,849
Prior period adjustment	**(73)**	85
Tax losses recognised	**-**	(4,352)
Total income tax expense/(credit)	**11,742**	(418)
Represented by:		
Current tax	**6,378**	-
Deferred tax	**5,364**	(418)
	11,742	(418)

[1] Comparatives have been restated for the impact of a change in accounting policy in regards to the accounting for Software as a Service arrangements. Refer to Note C2 for further details.

KEY JUDGEMENT – RECOGNITION OF TAX LOSSES

In the prior year, the Group had recognised a deferred tax asset of $4.4m for tax losses previously carried forward. During the financial year, the Group has fully utilised these tax losses against the Group's taxable profit.

Deferred tax assets and liabilities

The table below shows the movement in the deferred tax balances that are recognised at the beginning and end of the period.

	Restated Opening balance $000	Prior period adjustments $000	Recognised in income $000	Recognised in equity $000	Closing balance $000
Group 2022					
Property, plant and equipment & Intangibles	**(1,376)**	**(112)**	**(424)**	**-**	**(1,912)**
Net lease liability	**4,656**	**(168)**	**(140)**	**-**	**4,348**
Employee benefits	**2,248**	**-**	**828**	**142**	**3,218**
Provisions	**2,161**	**154**	**(168)**	**-**	**2,147**
Cash flow hedging reserve	**(158)**	**-**	**-**	**(61)**	**(219)**
Net taxable loss	**5,334**	**199**	**(5,533)**	**-**	**-**
	12,865	**73**	**(5,437)**	**81**	**7,582**

	Opening balance $000	Adjustment on application of IFRS Interpretation Committee decision[1] $000	Prior period adjustments $000	Recognised in income $000	Recognised in equity $000	Tax losses recognised / (not recognised) $000	Restated Closing balance $000
Group 2021							
Property, plant and equipment & Intangibles	(2,112)	1,092	37	(638)	245	-	(1,376)
Net lease liability	5,260	-	-	(604)	-	-	4,656
Employee benefits	1,420	-	-	828	-	-	2,248
Provisions	2,493	-	-	(332)	-	-	2,161
Cash flow hedging reserve	34	-	-	-	(192)	-	(158)
Net taxable loss	4,500	-	(122)	(3,396)	-	4,352	5,334
	11,595	1,092	(85)	(4,142)	53	4,352	12,865

	2022 $000	Restated[1] 2021 $000
The analysis of deferred tax assets and deferred tax liabilities is as follows:		
Deferred tax liabilities	**(2,131)**	(1,534)
Deferred tax assets	**9,713**	14,399
	7,582	12,865

Imputation credits available at 30 June 2022 were $0.011m (2021 $0.025m).

[1] Comparatives have been restated for the impact of a change in accounting policy in regards to the accounting for Software as a Service arrangements. Refer to Note C2 for further details.

A6: OTHER OPERATING INCOME

Other operating income for the financial year ended 30 June 2022 included wage subsidy of $1.1m which the Group applied for and received from the New Zealand Government during the Covid-19 pandemic. The funds received have been accounted for in line with NZ IAS 20 Government Grants and Disclosure of Government Assistance. The Group elected to recognise the funds received under the wage subsidy scheme as other operating income in the Statement of Profit or Loss and Other Comprehensive Income.

WORKING CAPITAL

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2022

This section contains details of the short term operating assets and liabilities required to service the Group's distribution branches and processing sites.

B1: INVENTORIES

KEY POLICY

Inventories are stated at the lower of cost and net realisable value, with cost determined on a moving average cost basis or standard cost basis. Costs include expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion, and selling expenses.

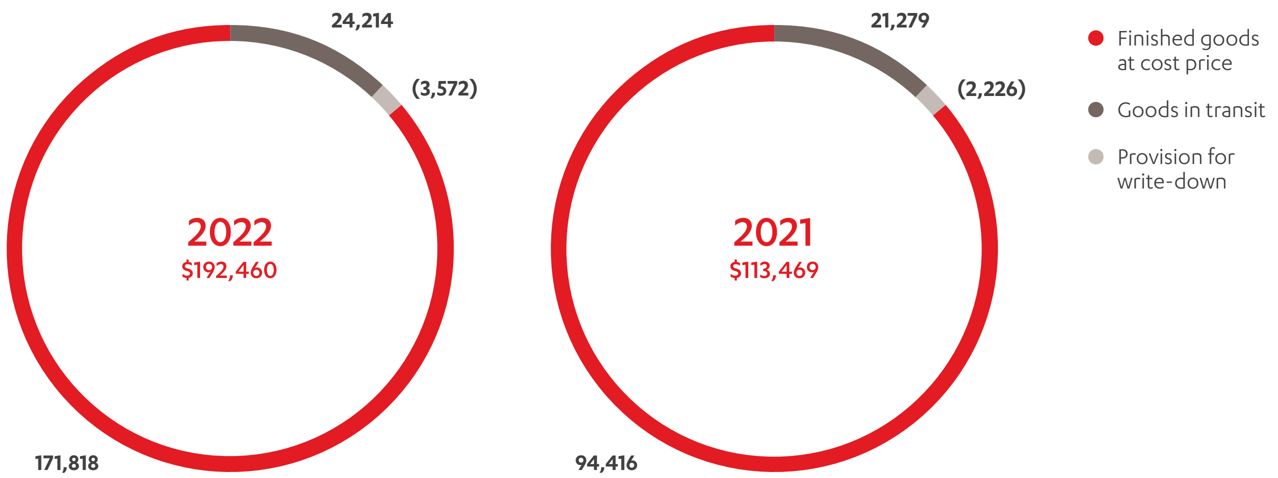
KEY JUDGEMENT – INVENTORY VALUATION

The majority of the Group's inventory comprises steel products and fastenings, which have long lives and generally are not at risk of obsolescence. The Group undertook an assessment of its inventory holdings at 30 June 2022 to determine whether the net realisable value (NRV) of inventory was greater than or equal to the current carrying value of inventory. The Group has undertaken a full review of all aged inventory to identify any inventory at higher risk, particularly slow moving inventory. Following this review, an impairment provision of $3.6m (2021: $2.2m) continues to be recognised as at 30 June 2022 to record the carrying value of inventory at its NRV where that is considered to be lower than its cost. Judgement was required in determining if the slow moving inventory can be sold and its expected sales price, and therefore whether inventory should be impaired. This includes consideration of forecast market conditions and prices.

To further support the valuation of inventory the Group operates a regular inventory count programme which requires inventory to be counted on a cycle count basis, and through a full wall-to-wall count where required to ensure the accuracy of the Group's Inventory records.

The Group holds inventories valued at $192.5 million (2021: $113.5 million).

Inventories ($000s)



The Group is exposed to foreign exchange risk arising mainly from overseas purchases of inventory. In accordance with its Treasury Policy, all committed overseas purchase orders are hedged using forward foreign exchange contracts where payment is made in a foreign currency. The Group qualifies for hedge accounting. The effective portion of the changes in fair value is recognised in other comprehensive income and accumulated in the Hedging reserve in equity as described in section E9.

As at balance date foreign exchange contracts recorded as assets were $1.49m (2021: $0.61m) and as liabilities were $0.01m (2021: $0.05m). The notional value of foreign exchange contracts in place as at 30 June 2022 totalled $37.30m (2021: $36.81m). The fair value of the foreign currency forward exchange contracts is as shown on the Balance Sheet. Refer to section E6 for the fair value hierarchy determination.

If the NZ dollar had weakened/strengthened by 5% against foreign currencies (primarily US dollar) at balance date, there would be no impact on profit or loss, as the Group qualifies for hedge accounting and all hedges are 100% effective at balance date. The effect would be to equity +$2.06m if the NZ dollar strengthened by 5% and -$1.83m if the NZ dollar weakened by 5% (2021: + $1.70m /- $2.05m respectively).

B2: TRADE AND OTHER RECEIVABLES

KEY JUDGEMENT – PROVISION FOR IMPAIRMENT

The Group has applied the simplified approach to providing for expected credit losses, which requires the recognition of a lifetime expected loss provision for Trade and other receivables.

The expected credit loss (ECL) allowances for financial assets are based on assumptions about the risk of default and expected credit loss rates. The Group uses its judgement in making these assumptions and selecting the inputs to the impairment calculation, which is based on the Group's historical experience, the aging profile of the financial assets, existing market conditions as well as external economic forecasts at each reporting date. Details of key considerations and judgements are set out below.

The Group considers the lifetime expected credit losses associated with its receivables upon initial recognition, and on an ongoing basis at the end of each reporting period. To assess whether there is a specific increase in credit risk, the Group compares the risk of default occurring on these receivables at the reporting date with the risk of default at the date of initial recognition. The Group considers its trade receivables to be in default when:

– The debtor is unlikely to pay its credit obligations to the Group in full; or
– The receivable is more than 60 days past due (i.e. overdue).

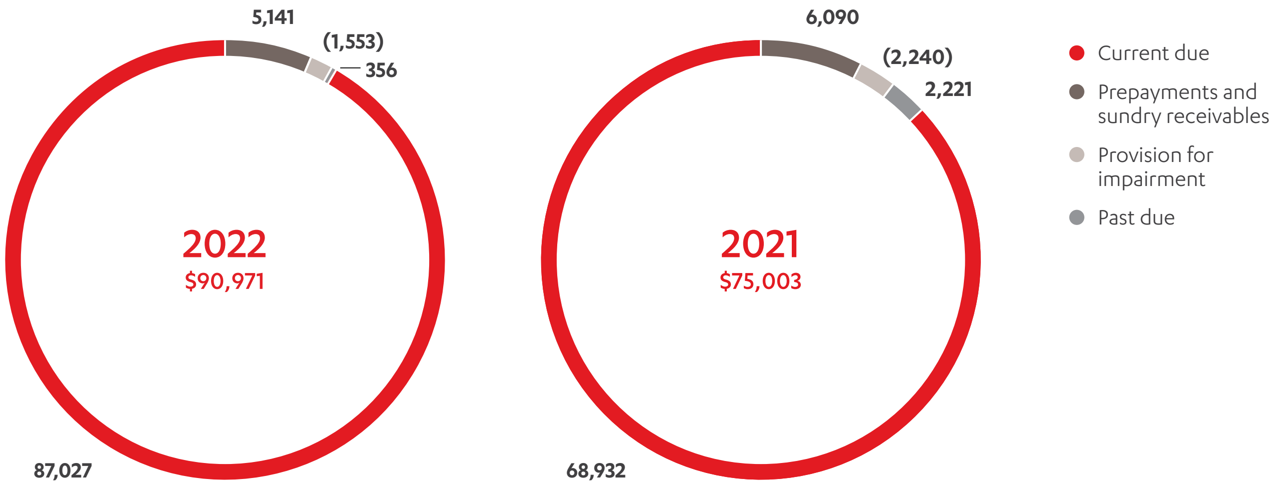
Available forward looking information is considered, including actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the customer or counterparty's ability to meet their obligations. This also incorporates any objective evidence that indicates that the customers will not be able to pay their debts when due, these include significant financial difficulties of customers and the probability of entering receivership or bankruptcy.

The Group has analysed its trade receivables balances using three different characteristics and calculated the ECL allowance by considering the impact of each:

	Consideration/Judgements
Baseline/Aging	The Group's baseline expectation for credit loss is informed by past experience and the aging profile of the balances, applying an increasing expected credit loss estimate as the balance ages incorporating forward looking information, such as forecasted economic conditions. This expectation incorporates any available objective evidence that the customers will not be able to pay their debts when due, including significant financial difficulties of customers and the probability of entering receivership, administration or liquidation.
Sector	The Group has considered the credit risk related to the market sector that the customers operate in and has made an adjustment to the ECL allowance base on assessment of the respective financial strength of each industry sector.
Region	The Group has considered the credit risk of its trade receivables portfolio based on the respective financial strength of each geographic region, and has made an adjustment to the baseline ECL allowance to reflect this.

Trade receivables at 30 June 2022 are $87.4m (2021: $71.2m) and are recognised initially at fair value and subsequently at amortised cost less any provision for impairment. The carrying value of Trade and other receivables are equivalent to their fair value.

Trade and Other Receivables ($000s)

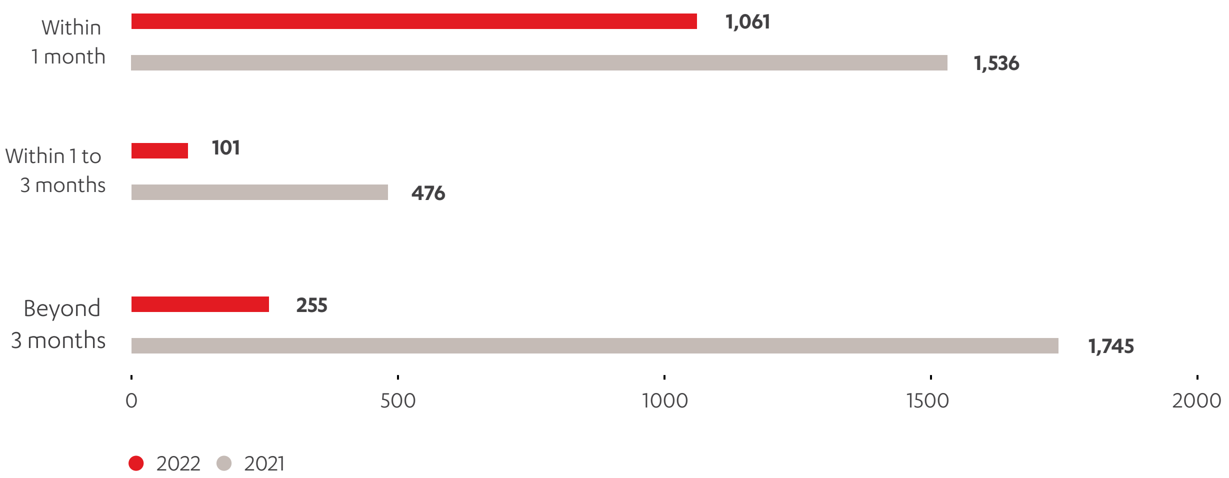


No one customer accounts for more than 6% of Trade receivables at 30 June 2022 (30 June 2021: 5%).

At 30 June 2022, trade receivables of $0.3m (2021: $1.9m) were greater than 60 days overdue. These relate to a number of independent customers for whom there is no recent history of default. The Group's credit terms are in line with industry peers. The Group does not have any customers with payment terms exceeding one year. As a result the Group does not adjust transaction prices for the time value of money.

The aging profile of the Group's customer balances is shown below.

Trade receivables excluding current at 30 June 2022 ($000s)



Provision for impairment

At 30 June 2022 an impairment provision of $1.6m (2021: $2.2m) was held.

The expected credit loss allowance provision has been determined as follows:

As at 30 June 2022	Current $000	Within 1 Month $000	1 - 2 Months $000	2 - 3 Months $000	Beyond 3 Months $000	Total $000
Gross carrying amount	**85,966**	**1,061**	**90**	**11**	**255**	**87,383**
Baseline/Aging	930	305	54	10	240	1,539
Region	4	-	-	-	1	5
Sector	6	-	1	-	2	9
Expected credit loss allowance	**940**	**305**	**55**	**10**	**243**	**1,553**

As at 30 June 2021	Current $000	Within 1 Month $000	1 - 2 Months $000	2 - 3 Months $000	Beyond 3 Months $000	Total $000
Gross carrying amount	**67,396**	**1,536**	**274**	**202**	**1,745**	**71,153**
Baseline/Aging	428	28	46	18	1,706	2,226
Region	4	-	-	-	2	6
Sector	5	1	-	-	2	8
Expected credit loss allowance	**437**	**29**	**46**	**18**	**1,710**	**2,240**

Movements in the provision for impairment for the year ended 30 June 2022, are as follows:

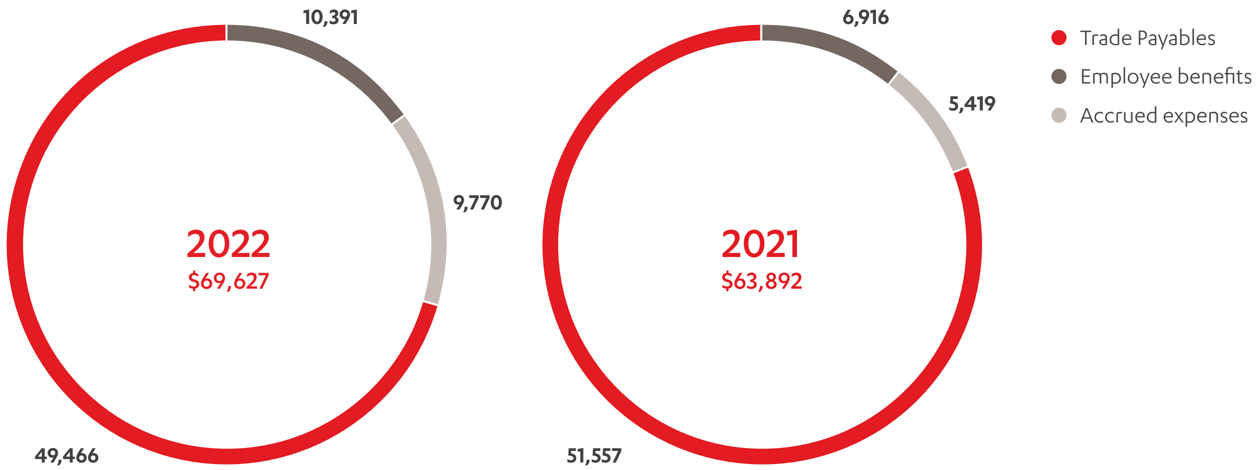
Provision for impairment	2022 $000	2021 $000
Provision as at 1 July	**2,240**	2,428
Recognised	**1,527**	1,285
Utilisation of provision/bad debts recovered	**(2,214)**	(1,473)
Provision as at 30 June	**1,553**	2,240

The Group is exposed to the risk of customers being unable to pay their debts as they fall due. The maximum exposure is the total value of these balances. Customers who trade on credit terms are subject to credit verification procedures and credit limits are set for each customer. The Group's credit policy is monitored regularly. In some circumstances security over assets may be obtained from Trade receivables to mitigate the risk of default. There are no significant concentrations of credit risk in the current or prior years.

The Group also has credit risk in respect of financial institutions that hold the Group's cash. These institutions have credit ratings of AA-.

B3: TRADE AND OTHER PAYABLES

Trade and other payables ($000s)



The carrying amounts of the above items are equivalent to their fair values and subsequently measured at amortised cost using the effective interest method.

FIXED CAPITAL

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2022

This section includes details of the Group's long term assets including tangible and intangible assets and related capital commitments.

C1: PROPERTY, PLANT AND EQUIPMENT

KEY POLICY

Plant and equipment are stated at cost less accumulated depreciation. Assets are tested annually for indicators of impairment and adjusted if required.

Depreciation is charged on a straight-line basis over the estimated useful lives of the assets. This allocates the cost of an asset, less any residual value, over its estimated remaining useful life. The residual values and useful lives are reviewed annually.

The estimated useful lives are as follows:

Plant, machinery and motor vehicles	3 - 20 years
Furniture, fittings and equipment	2 - 10 years

Gains and losses on disposals are determined by comparing proceeds with carrying amounts and are included in profit or loss.

2022	Land & buildings at fair value $000	Plant, machinery & vehicles at cost $000	Furniture, fittings & equipment at cost $000	Total $000
Opening cost	**-**	**82,880**	**17,293**	**100,173**
Opening accumulated depreciation	**-**	**(50,852)**	**(14,928)**	**(65,780)**
Opening net book value	**-**	**32,028**	**2,365**	**34,393**
Additions	**-**	**3,202**	**2,561**	**5,763**
Disposals	**-**	**(52)**	**(62)**	**(114)**
Depreciation	**-**	**(3,122)**	**(995)**	**(4,117)**
Closing net book value	**-**	**32,056**	**3,869**	**35,925**
Comprised of:				
Cost or fair value	**-**	**85,606**	**19,309**	**104,915**
Accumulated depreciation	**-**	**(53,550)**	**(15,440)**	**(68,990)**
Property, plant and equipment	**-**	**32,056**	**3,869**	**35,925**
2021				
Opening cost	5,900	85,752	18,794	110,446
Opening accumulated depreciation	(39)	(53,227)	(16,171)	(69,437)
Opening net book value	5,861	32,525	2,623	41,009
Additions	-	3,297	675	3,972
Disposals	(5,835)	(782)	(1)	(6,618)
Depreciation	(26)	(3,012)	(932)	(3,970)
Closing net book value	-	32,028	2,365	34,393
Comprised of:				
Cost or fair value	-	82,880	17,293	100,173
Accumulated depreciation	-	(50,852)	(14,928)	(65,780)
Property, plant and equipment	-	32,028	2,365	34,393

Included within the plant, property and equipment categories is capital work in progress totalling $1.6m (2021: $2.5m).

C2: INTANGIBLES

2022	Goodwill $000	Software & Licences $000	Other $000	Total $000
Opening cost	**47,171**	**28,262**	**2,522**	**77,955**
Opening accumulated amortisation and impairment	**(47,171)**	**(19,519)**	**(2,131)**	**(68,821)**
Opening net book value	**-**	**8,743**	**391**	**9,134**
Additions	**-**	**418**	**-**	**418**
Amortisation charge	**-**	**(1,575)**	**(102)**	**(1,677)**
Closing net book value	**-**	**7,586**	**289**	**7,875**
Comprised of:				
Cost	**47,171**	**28,680**	**2,522**	**78,373**
Accumulated amortisation and impairment	**(47,171)**	**(21,094)**	**(2,233)**	**(70,498)**
Closing net book value	**-**	**7,586**	**289**	**7,875**
2021 Restated				
Opening cost	47,171	30,429	2,522	80,122
Opening accumulated amortisation and impairment	(47,171)	(19,040)	(2,025)	(68,236)
Opening net book value	-	11,389	497	11,886
Committee decision for Software as a Service in opening intangibles in relation to 2020	-	(2,854)	-	(2,854)
Adjusted opening net book value	-	8,535	497	9,032
Additions	-	3,596	-	3,596
Amortisation charge	-	(2,343)	(106)	(2,449)
Committee decision for Software as a Service in intangibles in relation to 2021	-	(1,045)	-	(1,045)
Adjusted closing net book value	-	8,743	391	9,134
Comprised of:				
Cost	47,171	28,262	2,522	77,955
Accumulated amortisation and impairment	(47,171)	(19,519)	(2,131)	(68,821)
Adjusted closing net book value	-	8,743	391	9,134

Included within the intangibles categories is capital work in progress totalling $0.2m (2021 restated: $0.1m). Other intangibles comprises customer relationships and customer contracts arising from business combinations.

During the year, the Group revised its accounting policy in relation to configuration and customisation costs incurred in implementing SaaS arrangements in response to the Committee's agenda decision clarifying how current accounting standards apply to these types of arrangements. The Group's accounting policy has historically been to capitalise costs related to the configuration and customisation of SaaS arrangements as intangible assets in the balance sheet. Following the adoption of the above Committee agenda decision, current SaaS arrangements were identified and assessed to determine if the Group has control of the software. For those arrangements where control does not exist, the Group derecognised the intangible asset previously capitalised.

KEY POLICY

Goodwill is recognised on a business combination and represents the excess of the acquisition cost over the fair value of the acquired net assets. Goodwill is allocated to cash-generating units, tested annually for impairment, or more frequently if events or circumstances indicate it may be impaired, and is carried at cost less accumulated impairment losses.

Computer software and licences are capitalised on the basis of costs incurred to acquire and use the specific licences and are amortised on a straight-line basis over their estimated useful lives of 3 to 10 years. Computer software and licence amortisation charges are included in operating expenses.

Customer relationships and customer contracts are capitalised at fair value on acquisition date and are amortised on a straight-line basis over their estimated useful lives of 10 and 2 years respectively. Amortisation charges are included in operating expenses.

Software as a Service arrangements are service contracts providing the Group with the right to access the cloud provider's application software over the contract period. As such the Group does not receive a software intangible asset at the contract commencement date. For SaaS arrangements, the Group assesses if the contract will provide a resource that it can 'control' to determine whether an intangible asset is present. If the Group cannot demonstrate control of the software, the arrangement is deemed a service contract and any implementation costs including costs to configure or customise the cloud provider's application software are recognised as operating expenses when incurred.

Where the SaaS arrangement supplier provides both configuration and customisation services, judgement has been applied to determine whether each of these services are distinct or not from the underlying use of the SaaS application software. If distinct, such costs are expensed as incurred when the services is provided. If not distinct, such costs are expensed over the SaaS contract term.

In implementing SaaS arrangements, the Group has incurred customisation costs which creates additional functionality to a cloud based software. Management has determined that it has rights to the intellectual property and has owned the developed software which meets the definition and recognition criteria for an intangible asset.

Cost incurred for the development of software that enhances or modifies, or creates additional functionality to an on-premise software that meets the definition and recognition criteria of intangible assets are recognised as intangible assets. When these costs are recognised as intangible software assets they are amortised over the useful life of the software on a straight line basis.

The Group reviewed the agreements and supporting documentation for all capitalised software and associated projects. The Group has applied the required treatment retrospectively. Comparative information has been restated to reflect the retrospective application of the SaaS guidance. The following table presents the impact of the restatement on the comparative information presented in the financial statements:

Balance Sheet

Balances as at 1 July 2020:	Previously Reported $000	Adjustment $000	Restated $000
Intangibles	11,886	(2,854)	**9,032**
Deferred tax	11,595	799	**12,394**
Other assets/(liabilities)	157,809	-	**157,809**
Net assets	**181,290**	**(2,055)**	**179,235**
Retained earnings	22,541	(2,055)	**20,486**
Other equity balances	158,749	-	**158,749**
Total equity	**181,290**	**(2,055)**	**179,235**

Balances as at 30 June 2021:	Previously Reported $000	Adjustment $000	Restated $000
Intangibles	13,033	(3,899)	**9,134**
Deferred tax	11,773	1,092	**12,865**
Other assets/(liabilities)	171,754	-	**171,754**
Net assets	**196,560**	**(2,807)**	**193,753**
Retained earnings	41,721	(2,807)	**38,914**
Other equity balances	154,839	-	**154,839**
Total equity	**196,560**	**(2,807)**	**193,753**

Statement of Profit or Loss and Other Comprehensive Income

Balances for the year ended 30 June 2021:	Previously Reported $000	Adjustment $000	Restated $000
Operating expenses	(79,903)	715	**(79,188)**
Software as a Service (SaaS) upfront expenditure	-	(1,760)	**(1,760)**
Profit before tax	**15,998**	**(1,045)**	**14,953**
Tax credit	125	293	**418**
Profit for the period attributable to owners of the Company	**16,123**	**(752)**	**15,371**

Statement of Cash Flows

Balances for the year ended 30 June 2021:	Previously Reported $000	Adjustment $000	Restated $000
Payments to suppliers and employees	(431,565)	(2,118)	**(433,683)**
Net cash inflow from operating activities	**31,450**	**(2,118)**	**29,332**
Property, plant and equipment and intangible asset purchases	(7,656)	2,118	**(5,538)**
Net cash inflow from investing activities	**994**	**2,118**	**3,112**

KEY JUDGEMENT – IMPAIRMENT TESTING ON NON-FINANCIAL ASSETS

NZ IAS 36 Impairment of Assets (NZ IAS 36) requires the Group to assess at the end of each reporting period for any indicators of impairment and also to test the recoverable amount of the Group's assets against its carrying value to assess whether there is any indication that an asset may be impaired. The recoverable amount is the higher of an asset's fair value less costs of disposal (FVLCD) and value-in-use (VIU).

For the purpose of assessing impairment, assets are grouped in the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets (cash generating unit or CGU), which as at 30 June 2022 were identified as being Distribution, Reinforcing, CFDL and Rollforming.

As at 30 June 2022, the Group has not identified any indicators of impairment over the assets held at the CGUs. The Group's market capitalisation is above net assets at year end and accordingly provides evidence that the Group's net assets value is supported. Furthermore, the Group has seen an improved trading performance in the current financial year when compared to the previous financial year.

The Group has therefore concluded that no impairment is required as at 30 June 2022. The Group has also concluded that no reversal of the previous impairment of intangible assets should be made following an assessment that previous assumptions applied remains consistent in the current financial year.

C3: COMMITMENTS

Capital commitments

The Group has contractual commitments of $1.1m (2021: $0.8m) for purchase of plant and equipment.

C4: LEASES

KEY JUDGEMENT – IMPAIRMENT TESTING ON RIGHT-OF-USE ASSETS

The Group has assessed for any indicators of impairment on its right-of-use assets for the financial year ended 30 June 2022. The Group has re-assessed the assumptions used for the previously impaired sites with longer term leases (> 3 years) based on current market outlook and consideration over the sites' space utilisation in line with the Group's network strategy. Based on the assessment performed, the Group has recognised a reversal of impairment of $0.5m on these leases as at 30 June 2022 which represents a partial recovery of the total impairment charge recognised previously.

The below outlines the recognised right-of-use assets and corresponding lease liabilities by the Group as at 30 June 2022:

	Properties $000	Motor Vehicles $000	Equipment $000	Total $000
Right-of-use asset at 1 July 2021	81,624	3,074	839	85,537
Additions to right-of-use assets	3,819	1,741	238	5,798
Depreciation	(11,437)	(1,495)	(236)	(13,168)
Impairment loss reversed	527	-	-	527
Disposals	-	(6)	-	(6)
Total right-of-use assets at 30 June 2022	**74,533**	**3,314**	**841**	**78,688**

	Properties $000	Motor Vehicles $000	Equipment $000	Total $000
Right-of-use asset at 1 July 2020	**83,001**	**3,232**	**853**	**87,086**
Additions to right-of-use assets	8,814	1,465	174	10,453
Depreciation	(10,749)	(1,623)	(188)	(12,560)
Reassessments	29	-	-	29
Impairment loss reversed	1,878	-	-	1,878
Disposals	(1,349)	-	-	(1,349)
Total right-of-use assets at 30 June 2021	**81,624**	**3,074**	**839**	**85,537**

A portion of the Group's right-of-use assets is being used for sub-lease which would meet the definition of an investment property under NZ IAS 40 Investment Property. The Group accounts its investment property at cost. The portion recognised as investment property for the current financial year is $1.5m (30 June 2021: $0.5m). Income from sub-leasing right-of-use assets for the year ended 30 June 2022 was $0.3m (30 June 2021: $0.2m).

Amounts recognised as lease liabilities are presented below.

Lease liability maturity analysis	Principal $000	Interest $000	Gross $000
2022			
Between 0 to 1 year	13,555	4,233	17,788
Between 1 to 5 years	44,822	11,596	56,418
More than 5 years	37,695	5,636	43,331
Lease liabilities as lessee	**96,072**	**21,465**	**117,537**
2021			
Between 0 to 1 year	13,079	4,614	17,693
Between 1 to 5 years	43,802	13,318	57,120
More than 5 years	46,940	7,785	54,725
Lease liabilities as lessee	**103,821**	**25,717**	**129,538**

FUNDING

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2022

This section includes details of the Group's cash, borrowings and capital reserves which provide funds for current and future activities.

D1 : BORROWINGS

	2022 $000	2021 $000
Bank loans	51,000	-

KEY POLICY

Borrowings are recognised initially at fair value and net of transaction costs incurred. Borrowings are subsequently stated at amortised cost and any difference between the net proceeds and redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method. The movement in borrowings shown in the Statement of Cash Flows is the net of repayments and drawdowns of borrowings. Borrowings are classified as current liabilities if there is no unconditional right to defer settlement for greater than 12 months.

The Group is required to comply with certain financial covenants that relate to interest cover, group coverage and leverage.

The Group has in place committed bank borrowing facilities of $100m, comprising a three year $80m Revolving Cash Advance Facility with an expiry date of 15 February 2024 and a $20m Trade Loan facility with an expiry date of 15 February 2024. Borrowing facilities arranged with the Group's banking partner can be drawn at any time, subject to meeting the terms of the Group's Facility Agreement. As at 30 June 2022, the Group is compliant with all financial covenants.

The Group is exposed to interest rate risk through its drawings under the Group's bank borrowing facilities at variable interest rates.

During the year ended 30 June 2022, if bank interest rates had been 100 basis points higher/lower with all other variables held constant, it would change post-tax profit/equity for the year by $0.36m lower/higher (2021: $nil).

The Group manages its liquidity risk by maintaining availability of sufficient cash and funding via an adequate amount of committed bank borrowing facilities. Owing to the nature of the underlying business, the Group aims to maintain funding flexibility through committed credit lines. The Group monitors actual and forecast cash flows on a regular basis and rearranges credit facilities where appropriate.

The table below analyses the Group's financial liabilities and derivative financial instruments into maturity groupings based on the remaining period from balance date to the contractual maturity date. The amounts disclosed are the contractual undiscounted cash flows.

	Average Interest rate	6 months or less $000	6 to 12 months $000	1 to 3 years $000	Total $000	Carrying Value $000
2022						
Borrowings [1]	**4.81%**	**52,223**	**353**	**471**	**53,047**	**51,000**
Trade payables & accruals	**-**	**69,627**	**-**	**-**	**69,627**	**69,627**
Cash flow hedging of derivatives:						
Outflow	**-**	**37,299**	**-**	**-**	**37,299**	**37,299**
Inflow	**-**	**(38,782)**	**-**	**-**	**(38,782)**	**(38,782)**
	-	**(1,483)**	**-**	**-**	**(1,483)**	**(1,483)**
2021						
Trade payables & accruals	-	63,892	-	-	63,892	63,892
Cash flow hedging of derivatives:						
Outflow	-	36,533	272	-	36,805	36,805
Inflow	-	(37,088)	(277)	-	(37,365)	(37,365)
	-	(555)	(5)	-	(560)	(560)

[1] The Group's Facility Agreement allows drawdowns to be rolled over, subject to meeting the terms of the agreement

D2: NET DEBT RECONCILIATION

	Cash and cash equivalents $000	Borrowings $000	Current lease liabilities $000	Non-current lease liabilities $000	Total $000
Net debt as at 1 July 2021	**25,033**	**-**	**(13,079)**	**(90,742)**	**(78,788)**
Cash flows	**(16,987)**	**(51,000)**	**13,176**	**-**	**(54,811)**
Non-cash movements	**-**	**-**	**(13,652)**	**8,225**	**(5,427)**
Net debt as at 30 June 2022	**8,046**	**(51,000)**	**(13,555)**	**(82,517)**	**(139,026)**
Net debt as at 1 July 2020	17,418	(10,000)	(12,647)	(95,060)	(100,289)
Cash flows	7,615	10,000	12,821	-	30,436
Non-cash movements	-	-	(13,253)	4,318	(8,935)
Net debt as at 30 June 2021	25,033	-	(13,079)	(90,742)	(78,788)

D3: SHARE CAPITAL

The Group's capital includes share capital, treasury shares, reserves and retained earnings. The objectives for managing capital are to safeguard the Group's ability to continue as a going concern, to provide returns and benefits for Shareholders and other stakeholders and to maintain a strong capital base for investor, creditor and market confidence. The Group may adjust the dividends paid to Shareholders, return capital to Shareholders, issue new shares or sell assets to maintain or adjust its capital structure.

Capital Structure Policy Targets

The Group's formal capital structure targets are as follows:

1. Net Debt: EBITDA less than 2.0x
2. Gearing ratio less than 30 – 35%
3. Dividend pay-out of between 60% - 80% of Net Earnings (NPAT) adjusted for any significant non-trading items

There has been no material change in the management of capital during the year.

	2022 $000	2021 $000	2022 Shares	2021 Shares
Fully paid:				
Balance at the beginning of the year	**156,668**	156,668	**165,972,540**	165,972,540
Balance at the end of the year	**156,668**	156,668	**165,972,540**	165,972,540
Partly paid:				
Balance at the beginning of the year	**1**	1	**25,000**	25,000
Balance at the end of the year	**1**	1	**25,000**	25,000
Total balance at the end of the year	**156,669**	156,669	**165,997,540**	165,997,540

The holders of ordinary shares are entitled to receive dividends declared from time to time and to one vote per share at meetings of the Company. Ordinary shares issued and partly paid as part of the Senior Executives' Share Scheme 1993 do not have dividend or voting entitlements until the shares are paid in full but qualify for bonus and cash issues.

Ordinary shares are classified as equity. Where any controlled entities purchase Company shares that have not been allocated, the consideration paid and directly attributable costs are deducted from equity and classified as treasury shares.

Treasury shares	2022 $000	2021 $000	2022 Shares	2021 Shares
Balance at the beginning of the year	**2,896**	2,896	**972,849**	972,849
Balance at the end of the year	**2,896**	2,896	**972,849**	972,849

Treasury shares are unallocated Company shares held by the Trustee of the Executive Share Plan 2003 and are recognised as a reduction in shareholders' funds of the Group. There were no Treasury shares purchased during the year.

OTHER

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2022

This section contains additional notes and disclosures which do not form part of the primary sections but which are required to comply with financial reporting standards.

- Financial risk management
- Provisions
- Contingent liabilities
- Auditor remuneration
- Related party and share based plans
- Financial instruments
- Financial assets
- Subsequent events
- Other accounting policies

E1: FINANCIAL RISK MANAGEMENT

The Group is exposed to financial risk: market risk, credit risk and liquidity risk.

The Group's Treasury Policy is approved by the Board and is reviewed every three years. The Treasury Policy establishes principles and risk tolerance levels to guide management in carrying out risk management activities to minimise potential adverse effects on the financial performance of the Group. Compliance with policy is monitored and reviewed on a monthly basis.

Detail relevant to the following risks are covered in relevant sections:

Foreign exchange risk (a market risk)	Inventories	B1
Interest rate risk (a market risk)	Borrowings	D1
Credit risk	Trade & other receivables	B2
Liquidity risk	Borrowings	D1

E2: PROVISIONS

	Restructure Provision $000	Make Good Provision $000	Holiday Pay Provision $000	Other Provisions $000	Total $000
Opening balance	149	2,775	854	509	4,287
Additions	-	283	-	200	483
Used	(22)	(951)	-	(204)	(1,177)
Unutilised	(127)	(574)	(854)	-	(1,555)
Closing balance	**-**	**1,533**	**-**	**505**	**2,038**
Current	-	262	-	505	767
Non Current	-	1,271	-	-	1,271

KEY POLICY

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event. This occurs when it is probable that a cost will be incurred to settle the obligation and a reliable estimate can be made of that obligation. Where material, provisions are determined by discounting the expected cash flows at a pre-tax rate that reflects current market assessments of the time value of money. Where discounting is used, the increase in the provision due to the passage of time is recognised as an expense.

- Restructure Provision. The Group undertook a business restructure following the impact of Covid-19 in the preceding year and the activities related to the restructure have largely concluded as at 30 June 2021. All remaining committed restructuring activities have been completed as at 30 June 2022.
- Make Good Provision on existing tenanted properties. The Group held a make good provision for the remediation work carried out on one of its existing tenanted properties, one being Stonedon Drive which was agreed as part of the sale and purchase agreement. Remediation work has completed as at 30 June 2022 and the Group has utilised $1.0m of the initial provision against total remedial costs incurred and a subsequent release of $0.5m of the unutilised provision. Actual payment dates and costs for other properties will be known once each lease reaches its expiry date.
- Holiday Pay Provision. The Group recognised a Holiday Pay Provision of $0.85m as at 30 June 2021. The provision related to the Group's potential backdated holiday pay obligations following a High Court judgement on an unrelated company on a similar matter. Following the Court of Appeal ruling in this case, the Group has released its Holiday Pay provision of $0.85m as at 30 June 2022.
- Other Provisions relates to an estimate of the costs of customer claims for faulty or defective products supplied.

E3: CONTINGENT LIABILITIES

Indemnities given to the Group's banking partner in respect of performance bonds were $2.7m (2021: $3.5m) at balance date and were transacted in the ordinary course of business. These relate to performance guarantees held primarily for the construction contracts entered into by the Group.

In the normal course of business, the Group can be party to lawsuits and claims, both as a plaintiff and as a defendant. Provisions are made in accordance with accounting policy and disclosed in Note E2.

E4: AUDITOR REMUNERATION

Fees paid to auditors	2022 $000	2021 $000
Annual audit & half year review	**379**	443
Total	**379**	443

The appointed auditor for the year ended 30 June 2022 is KPMG (2021: PricewaterhouseCoopers).

E5: RELATED PARTY AND SHARE BASED PLANS

The Group has related party relationships with its controlled entities and with key management personnel.

The subsidiaries in the Group are:

Subsidiaries	**Principal Activity**	**Balance Date**	**2022 Holding**	**2021 Holding**
Steel & Tube New Zealand Limited	Non-trading	30 June	**100%**	100%
Composite Floor Decks Holdings Limited	Non-trading	30 June	**100%**	100%
Studwelders Limited	Non-trading	30 June	**100%**	100%
S & T Plastics Limited	Non-trading	30 June	**100%**	100%
S & T Stainless Limited	Stainless Distributor	30 June	**100%**	100%
Manufacturing Suppliers Limited	Fastenings Distributor	30 June	**100%**	100%
Composite Floor Decks Limited	Floor Decking Installer	30 June	**100%**	100%

Transactions with Key Management Personnel	**2022 $000**	**2021 $000**
Short-term benefits	**5,733**	4,333
Share-based benefits (accounting expense)	**356**	311
Termination benefits	**-**	155
	6,089	4,799

The Key Management Personnel are the Non-Executive Directors and Executive Management. Included in short term benefits are Directors' fees of $526,250 (2021: $448,983). The aggregate value of sales transacted with Key Management Personnel in the current financial year amounts to $25k.

Other Transactions with Related Parties

Certain Directors, shareholders and Management have relevant interests in a number of companies with which the Group has transactions in the normal course of the business. A number of the Group's Directors are also non-executive Directors of other companies, and a register of Directors' interests is maintained. Any transactions undertaken with these entities have been entered into in the normal course of business.

Certain Directors and Management hold shares in the Group and receive dividends in the normal course of business.

Performance Rights Plan 2017

In February 2018 a new Executive share plan was approved by the Board, known as the Performance Rights Plan 2017 (PRP). The performance period for this scheme runs for 3 years and comprises two performance conditions (50% each) as follows:

a) The Benchmark Comparator (BC) ranks the Company's Total Shareholder Return (TSR) relative to the TSR of the NZX 50 Index securities.

- Where the Company TSR equals the 50th percentile TSR of the Index Companies over the Performance Period, 50% of (BC) Performance Rights will vest
- Where the Company TSR equals or exceeds the 75th percentile TSR of the Index Companies over the Performance Period, 100% of (BC) Performance Rights will vest
- Where the Company's TSR over the Performance Period exceeds the 50th percentile TSR of the Index Companies but does not reach the 75th percentile, then between 50% and 100% of the (BC) Performance Rights, will vest as determined on a linear pro-rata basis

b) The Absolute Comparator (AC) ranks the Company's TSR relative to the Company's Cost of Equity (CoE) plus a premium of 2% annualised and compounding.

- Where the Company TSR is less than or equal CoE no (AC) Performance Rights will be vested
- Where the Company TSR is equal to or greater than CoE + 2%, 100% of (AC) Performance Rights will vest
- Where the Company TSR is greater than CoE but less than (CoE) + 2%, then between 50% and 100% of the (AC) Performance Rights will vest as determined on a linear pro-rata basis

Performance Rights are only able to be exercised after completion of the three year performance period, providing and only to the extent that the performance conditions, and other relevant service and non-market performance conditions, have been satisfied. Any Benchmark and Absolute Comparator Performance Rights that do not vest at the Measurement Date will lapse.

During the year the following movements of rights to shares occurred in accordance with the rules of the share plans:

	No. of Rights Available 2022	No. of Rights Available 2021
Opening Balance	3,678,476	2,271,834
New Shares Granted	1,353,114	2,067,187
Rights Forfeited	(370,380)	(470,798)
Rights Lapsed	(713,669)	(189,747)
Total	**3,947,541**	**3,678,476**

Rights Performance Conditions Start Dates	Expiry date	Issue date fair value	Total Rights Issued	Rights Available 30 June 2022	Rights Available 30 June 2021
12 September 2018 – Tranche 2	12/09/2021	$1.20	**1,160,204**	**-**	713,669
6 September 2019 – Tranche 3	6/09/2022	$0.80	**1,215,524**	**855,125**	961,936
11 September 2020 – Tranche 4	11/09/2023	$0.75	**2,002,871**	**1,783,230**	2,002,871
7 September 2021 – Tranche 5	7/09/2024	$1.15	**1,353,114**	**1,309,186**	-
		Total	**5,731,713**	**3,947,541**	3,678,476

Weighted average remaining contractual life of options outstanding at end of period	**1.28**	1.52

	2022 $000	2021 $000
Share-based benefits (accounting expense)	**443**	425

The fair value of rights is determined using a Monte Carlo share price simulation model. The significant inputs into the model for shares granted during the period were the market share price at grant date, an exercise price of zero (as shares are issued to the employees at nil consideration on vesting), volatility of 35.9%, expected option life of between 1 and 3 years and an annual risk free interest rate of 1.7%. Volatility has been calculated based on the annualised volatility for the three years prior to the rights issue.

KEY POLICY

The Performance Rights Plan 2017 is considered to be an equity settled scheme under NZ IFRS 2 and the vesting conditions for the scheme include both service and performance conditions.

Performance Rights Plan 2017

The cost associated with this plan is measured at fair value at grant date and is recognised as an expense in profit or loss over the vesting period, with a corresponding entry to the reserve in equity. The estimate of the number of rights for which the service conditions are expected to be satisfied is revised at each reporting date, with any cumulative catch-up adjustment recognised in profit or loss in the period that the change in estimate occurred. Any rights not vested after the expiry of three years are cancelled.

E6: FINANCIAL INSTRUMENTS

2022	Financial assets at amortised cost $000	Derivatives for hedging at fair value $000	Financial liabilities at amortised cost $000
Cash and cash equivalents [1]	**8,046**	**-**	**-**
Trade and other receivables excluding prepayments	**89,005**	**-**	**-**
Derivative financial instruments [2]	**-**	**1,491**	**-**
Total financial assets	**97,051**	**1,491**	**-**
Borrowings	**-**	**-**	**51,000**
Trade and other payables	**-**	**-**	**69,627**
Derivative financial instruments [2]	**-**	**8**	**-**
Lease liabilities	**-**	**-**	**96,072**
Total financial liabilities	**-**	**8**	**216,699**
2021			
Cash and cash equivalents [1]	25,033	-	-
Trade and other receivables excluding prepayments	81,603	-	-
Derivative financial instruments [2]	-	607	-
Total financial assets	**106,636**	**607**	**-**
Trade and other payables	-	-	63,892
Derivative financial instruments [2]	-	47	-
Lease liabilities	-	-	103,821
Total financial liabilities	**-**	**47**	**167,713**

[1] Cash and cash equivalents comprise cash in bank balances and cash on hand.

[2] Derivative financial instruments are measured at fair value calculated using forward exchange rates that are quoted in an active market (Level 2 of the fair value hierarchy).

E7: FINANCIAL ASSETS

The Group classifies its non-derivative financial assets as being measured at amortised cost, including any expected credit loss allowance provisions. They are included in current assets, except for those with maturities greater than 12 months after the end of the reporting period, these are classified as non-current assets. The Group's non-derivative financial assets comprise trade and other receivables and cash and cash equivalents.

Derivatives are measured at fair value. The portion of any fair value movement that is an effective hedge is measured in other comprehensive income, but any ineffective portion is included in profit or loss.

Management determines the classification of the assets at the initial recognition and re-evaluates the designation at each reporting date based on the business model and whether cash flows represent solely payments of principal and interest.

Purchases and sales of financial assets are recognised on the date the Group has committed to the transaction. De-recognition of financial assets occurs when the rights to receive cash flows have expired or the Group has transferred substantially all the risks and rewards of ownership.

E8: SUBSEQUENT EVENTS

On 11 July 2022, the Group entered into an unconditional agreement to acquire Kiwi Pipe and Fittings Limited. Final settlement of this acquisition has been completed on 1 August 2022 for $8.9m. The Group is in the process of completing a fair value exercise over the assets and liabilities acquired as part of accounting for this transaction. Given the limited time between final settlement and the date of the issuance of the Group's financial statements, the Group will disclose all necessary information in the next financial year.

On 19 August 2022, the Board declared a final dividend (partially imputed) of 7.50 cents per share (2021: 3.29) totalling $12.4m (2021: $5.5m). The dividends will be paid to shareholders on 23 September 2022.

E9: OTHER ACCOUNTING POLICIES

Basis of consolidation

The Group applies the acquisition method to account for business combinations. The Group financial statements comprise the financial statements of Steel & Tube Holdings Limited and its controlled entities (subsidiaries) (see Note E5).

The Group controls an entity when the Group is exposed to, or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group and deconsolidated from the date control ceases.

Consideration transferred is the fair value of assets transferred, liabilities incurred to the former owners of the acquiree and equity interests issued by the Group. Consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities (including contingent liabilities) assumed in a business combination are measured initially at their fair values at acquisition date.

All inter-company transactions and balances between Group companies are eliminated.

Foreign currency

Transactions in foreign currencies are translated at the foreign exchange rate at the date of the transaction. Gains and losses resulting from the settlement of such transactions and from translation of monetary assets and liabilities at balance date are recognised in profit or loss except when deferred in equity as qualifying cashflow hedges. The Group's hedging largely comprises cashflow hedges for future purchases of inventory. The Group's current practice is to recognise the accumulated gains or losses on the hedging instrument / derivative against the carrying value of the inventory when inventory is recognised.

Derivatives – Cashflow hedge

The Group uses derivative financial instruments to hedge its exposure to foreign exchange risks arising from operational, financing and investing activities. In accordance with its Treasury Policy, the Group does not hold or issue derivative financial instruments for trading purposes. Derivative financial instruments are recognised initially at fair value on the date a derivative contract is entered into. Subsequent to initial recognition, derivatives are re-measured at fair value.

The Group designates certain derivatives as hedges of a highly probable forecast transaction (cashflow hedge). The effective portion of changes in the fair value of derivatives designated as cashflow hedges is recognised in equity. The gain or loss on the ineffective portion is recognised in profit or loss in other gains/(losses). When the hedged item is a non-financial asset (for example, inventory or property, plant and equipment) the amount recognised in equity is transferred to the carrying amount of the asset when it is recognised. In other cases the amount recognised in equity is transferred to profit or loss in the same period the hedged item is recognised in the Statement of Profit or Loss and Other Comprehensive Income. If the hedging instrument no longer meets the criteria for hedge accounting, expires, is sold, terminated or is exercised, any cumulative gain or loss previously recognised in equity remains in equity until the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss reported in equity is immediately transferred to profit or loss within other gains/(losses).

Derivative financial instruments are classified as current assets or current liabilities if expected to be settled within 12 months; otherwise, they are classified as non-current.

Impairment of non-financial assets

Assets that have indefinite useful lives that are not subject to amortisation and intangible assets not yet available for use are tested annually for impairment. Assets (including intangibles and property, plant and equipment) subject to amortisation and depreciation are reviewed for impairment whenever events or changes in circumstances indicate the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value, less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cashflows (cash-generating units).

Revenue recognition

Revenue is measured based on the consideration specified in a contract with a customer. The Group derives its revenue from the distribution and processing of steel and associated products. Revenue is recognised at a point in time when a Group entity has transferred control, which is when it has delivered the products to the customer, the customer has accepted the products and collectability of the related receivables is highly probable.

The table below provides further information on the revenue recognition across the Group based on each contract portfolio.

Contract Portfolio	Description	Key Judgements	Outcome	Timing of Recognition
Cash or Credit Supply Sales	Any sales from individual orders without a formal written contract.	No major judgement required.	There is one performance obligation, being the supply of the product.	*Point in time* Revenue is recognised at point of sale when the product is delivered.
Supply and Installation Sales	Any contracts that contain supply and installation performance obligations.	Determining whether or not the supply and installation components are distinct within the context of the contract.	There are two performance obligations, being supply of the product and installation of the product. Installation of the product is considered a distinct performance obligation as supply only contracts are also available on a stand-alone basis.	*Over time* Revenue relating to the supply performance obligation follows the same recognition process as for the 'Supply Only Sales' contract portfolio. Installation of the product enhances an asset controlled by the customer as the installation is completed. Revenue relating to the installation performance obligation is recognised on a stage of completion basis based on the input of labour costs, as this corresponds directly with the value to the customer of the Group's performance completed to date.
Supply Only Sales	Any contracts/sales agreements that only have supply of steel product clauses.	Determining whether each act of supply should be treated as a separate performance obligation within the contract.	There is one performance obligation, being the act of the supply. Irrespective of how many supply events occur, the products supplied are all highly interrelated in that they all are required for the same construction project, and therefore represent a series of distinct supply events which are substantially the same and use the same method to measure progress towards completion. They are therefore accounted for as a single performance obligation.	*Over time* The products supplied are required to be modified to a significant extent and do not create an asset with an alternative use to the Group. The Group has a right to consideration from the customer in an amount that corresponds directly with the value to the customer of the Group's performance completed to date. Revenue relating to Supply Only Sales is recognised in the amount to which the Group has a right to invoice under the terms of the contract.

The Group has also utilised the practical expedients specified in NZ IFRS 15 Revenue from Contracts with Customers in respect of the requirement to disclose the transaction price allocated to unsatisfied (or partially unsatisfied) performance obligations, where the contract has an original expected duration of one year or less, or where the Group has applied the practical expedient to recognise revenue at the amount to which it has a right to invoice, which corresponds directly to the value to the customer of the Group's performance completed to date. Any volume-based rebates extended to customers by the Group are recognised as a deduction from revenue, in line with the pattern of transfer of control of the relevant good or service to the customer, where payment is deemed to be highly probable.

Leases

Under NZ IFRS 16, the Group recognises right-of-use assets and lease liabilities for a number of categories of operating leases, including:

- Property leases – The Group has a variety of property leases across its national network of branches and processing facilities. Where the Group has entered into sub-leases in respect of its property leases, each sub-lease will be assessed under the new standard to determine if it qualifies as a finance lease or an operating lease under NZ IFRS 16;
- Motor vehicle leases – The Group leases motor vehicles for staff use in sales and day-to-day operations;
- Equipment leases – The Group leases certain equipment for use in its distribution, manufacturing and warehousing activities. This includes material handling equipment such as forklifts and pallet trucks; and
- Other leases – other leases includes the lease of assets such as IT equipment, photocopiers and other plant or office equipment.

On inception of a new lease, the lease liability is measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate at that date. The right-of-use assets are measured at an amount equal to the lease liability, and are depreciated over the estimated remaining lease term on a straight-line basis. The Group presents the right-of-use assets and lease liabilities separately on the face of the Balance sheet.

The Group has utilised the recognition practical expedients specified in NZ IFRS 16 in respect of short-term and low value leases where appropriate, as well as the use of a single discount rate to a portfolio of leases with reasonably similar characteristics.

Adoption status of relevant new financial reporting standards and interpretations

Change in intangible assets accounting policy
In March 2021 the IFRS Interpretations Committee (the Committee), which is responsible for interpreting the application of IFRS, issued a decision on configuring and customising software provided under SaaS arrangements. The decision considers whether configuration or customisation expenditure relating to SaaS arrangements can be recognised as an intangible asset and if not, over what time period the expenditure is expensed. Where it is determined that the costs are to be expensed and they are in respect of a service that is distinct from the access to the software, the expense is recognised in profit or loss as incurred i.e. as the service is received. If the service is not considered distinct, the costs are recognised as an expense as the entity receives access to the customised software i.e. over the contract term. The decision was subsequently ratified by the International Accounting Standards Board in April 2021.

The Group's accounting policy has historically been to capitalise costs related to the configuration and customisation of SaaS arrangements as assets in the balance sheet. In response to the Committee's decision, the Group revised its accounting policy in relation to these configuration and customisation costs for SaaS arrangements. The new accounting policy and the impact of the adoption is outlined in Note C2.

New standards and interpretations issued and not yet effective

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning on or after 1 July 2022. The Group is currently assessing the impact of these new standards to the Group to determine if they will have a significant impact on future financial statements. On this basis, the Group has not adopted and currently does not anticipate adopting, any standards prior to their effective dates.

Independent Auditor's Report

To the shareholders of Steel & Tube Holdings Limited

Report on the audit of the consolidated financial statements

Opinion

In our opinion, the consolidated financial statements of Steel & Tube Holdings Limited (the 'company') and its subsidiaries (the 'group') on pages 40 to 73:

i. present fairly in all material respects the group's financial position as at 30 June 2022 and its financial performance and cash flows for the year ended on that date in accordance with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

We have audited the accompanying consolidated financial statements which comprise:

— the consolidated balance sheet as at 30 June 2022;

— the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended; and

— notes, including a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) ('ISAs (NZ)'). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the group in accordance with Professional and Ethical Standard 1 *International Code of Ethics for Assurance Practitioners (Including International Independence Standards) (New Zealand)* issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* ('IESBA Code'), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Our responsibilities under ISAs (NZ) are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

Other than in our capacity as auditor we have no relationship with, or interests in, the group.

Materiality

The scope of our audit was influenced by our application of materiality. Materiality helped us to determine the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the consolidated financial statements as a whole. The materiality for the consolidated financial statements as a whole was set at $2 million determined with reference to a benchmark of the group's revenue. We chose the benchmark because, in our view, this is a key measure of the group's performance.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements in the current period. We summarise below those matters and our key audit procedures to address those matters in order that the shareholders as a body may better understand the process by which we arrived at our audit opinion. Our procedures were undertaken in the context of and solely for the purpose of our statutory audit opinion on the consolidated financial statements as a whole and we do not express discrete opinions on separate elements of the consolidated financial statements.

The key audit matter	How the matter was addressed in our audit
Existence of Inventories	
Refer to Note B1 to the Financial Report. At 30 June 2022, the group held inventories on hand of $171.8 million which represents 40% of the total assets. The existence of inventories is considered a Key Audit Matter as inventory is located across multiple operating sites throughout the country. This along with a broad product offering and the nature of inventory held, presents inherent challenges to controlling inventory. The group is reliant on regular cycle and wall-to-wall counting to ensure the accuracy of inventory records. .	We evaluated the existence of inventory by performing audit procedures including; - obtaining an understanding of the nature and value of inventories, complexity in counting the items and historical inventory count adjustments. - determining which locations to observe the inventory count processes based on the value and nature of inventory at each location. Undertaking, on a sample basis, our own test counts at those locations. - reviewing the accuracy of inventory count adjustments posted by management. We did not identify any material misstatements in relation to the existence of inventories.
Revenue recognised on Construction Contracts within the Infrastructure Division	
Refer to the Infrastructure Division segmental information in Note A3 to the Financial Report. $89.3 million of revenue was recognised on construction contracts within the Infrastructure Division. The construction contracts typically have a duration of many months, with some spanning more than a year. Revenue is recognised over time based on either the estimated stage of completion of each project or according to the value to the customer of the group's performance completed to date. When estimating stage of completion, revenue is calculated based on the proportion of total costs incurred at the reporting date compared to the group's estimation of total costs of the project, multiplied by the total expected revenue from the project.	We evaluated revenue from construction contracts within the Infrastructure Division by performing audit procedures including; - obtaining an understanding of the group's processes and controls relating to recognition of revenue on construction contracts. - in respect of completed projects, on a sample basis, we assessed the evidence of completion of the contract and vouched collection of customer receipts. - in respect of in-progress contracts, we selected contracts according to a risk-based criteria. For selected contracts, we made inquiries with management to understand the status and risks of the project. We obtained the customer contract to evaluate whether the contractual terms were reflected in the group's estimation of total costs and total

The key audit matter	How the matter was addressed in our audit
In the event that a project is expected to make losses, an adequate provision is recorded for the estimated future unavoidable losses of the project. Revenue from construction contracts is a Key Audit Matter due to the large volume of individual projects which are in progress at each reporting date. Furthermore, estimating the stage of completion requires consideration of the specific contractual terms, and judgement is required when estimating the expected costs to complete and the total expected revenue from the project.	expected revenues. We challenged the completeness by comparison to supporting evidence such as cost to date and material and labour pricing. - made inquiries about the project performance in the period since reporting date to assess whether this had any bearing on the judgements made within the year ended 30 June 2022. - considered the adequacy of the associated disclosures in the financial statements. We did not identify any material misstatements in relation to the recognition of revenue on construction contracts within the Infrastructure Division.

Other information

The Directors, on behalf of the group, are responsible for the other information included in the entity's Annual Report. Other information includes the Chair and Chief Executive's report, disclosures relating to corporate governance and other group specific information. Our opinion on the consolidated financial statements does not cover any other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Other matter

The consolidated financial statements of the group for the year ended 30 June 2021, was audited by another auditor who expressed an unmodified opinion on those statements on 23 August 2021.

Use of this independent auditor's report

This independent auditor's report is made solely to the shareholders as a body. Our audit work has been undertaken so that we might state to the shareholders those matters we are required to state to them in the independent auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the shareholders as a body for our audit work, this independent auditor's report, or any of the opinions we have formed.

KPMG

Responsibilities of the Directors for the consolidated financial statements

The Directors, on behalf of the group, are responsible for:

— the preparation and fair presentation of the consolidated financial statements in accordance with generally accepted accounting practice in New Zealand (being New Zealand Equivalents to International Financial Reporting Standards) and International Financial Reporting Standards;

— implementing necessary internal control to enable the preparation of a consolidated set of financial statements that is fairly presented and free from material misstatement, whether due to fraud or error; and

— assessing the ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate or to cease operations or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objective is:

— to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error; and

— to issue an independent auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs NZ will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of these consolidated financial statements is located at the External Reporting Board (XRB) website at:

http://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-1/

This description forms part of our independent auditor's report.

The engagement partner on the audit resulting in this independent auditor's report is Laura Youdan.

For and on behalf of

KPMG

KPMG
Auckland

19 August 2022

GOVERNANCE

Corporate governance at Steel & Tube is predicated on high standards of ethics and performance and is achieved through robust governance policies, practices and processes to ensure a culture that is open, transparent and focused on adding value for our stakeholders. The Board regularly reviews Steel & Tube's governance structures and processes to identify opportunities for enhancement, ensure they are consistent with best practice and reflect Steel & Tube's operations.

The Board believes that the Company's corporate governance framework materially complies with the NZX Corporate Governance Code (the Code). A summary of Steel & Tube's governance actions and performance against each of the Principles in the Code is detailed on the following pages.

Easy access to information about the Company, including financial and operational information and key corporate governance policies and charters, is available through the Company's website at https://steelandtube.co.nz.

The information in this report is current as at 19 August 2022 and has been approved by the Board of Steel & Tube.

CODE OF ETHICAL BEHAVIOUR

"Directors should set high standards of ethical behaviour, model this behaviour and hold management accountable for these standards being followed throughout the organisation."

We expect our Directors and staff to act with integrity and professionalism, and undertake their duties in the best interests of the Company, taking into account the interest of shareholders and other stakeholders.

The Board has adopted a Code of Ethics, which is available on the Company website and staff intranet. The Company Policy Manual also includes detailed standards of integrity, conduct and behaviour required of all employees. This forms part of the new employee induction programme.

We encourage employees to speak out if they have concerns. The avenues for doing so are detailed in the Company's Whistleblower Policy which is on the Company website. Steel & Tube does not donate to political parties.

Insider Trading Policy

Steel & Tube has an Insider Trading Policy which, along with the Financial Markets Conduct Act 2013, imposes limitations and requirements on Directors and employees in dealing in the Company's shares. These limitations prohibit dealing in shares while in possession of inside information and impose requirements for seeking consent to trade.

While there is no formal requirement to do so, most Directors hold shares in the Company either directly or through affiliates. Details of Directors' share dealings are set out on page 90 of this report.

BOARD COMPOSITION AND PERFORMANCE

"To ensure an effective Board, there should be a balance of independence, skills, knowledge, experience and perspectives."

The Steel & Tube Board comprises six Independent Directors, who have significant relevant industry and market experience, skills and expertise that are of value to the Company. Profiles of Directors are available on the Company website and included in the Annual Report. Directors' interests are disclosed on page 89 of the Annual Report.

Andrew Flavell was appointed as an Independent Director from 1 October 2021 and will stand for election by shareholders at the 2022 Annual Shareholders' Meeting. Andrew is an accomplished senior technology executive with significant global success in developing and executing strategies to promote business and organisational growth, and driving optimal use of cutting edge technologies, tools and processes. His extensive digital and IT experience is of significant value to Steel & Tube and meets a need identified in the Board skills matrix.

The roles and responsibilities of the Board are detailed in the Board Charter, which is reviewed at least every three years and is available on the Company website. The Board's primary objective is to enhance shareholder value and protect the interests of other stakeholders by improving corporate performance and accountability.

The Board has delegated authority for the day to day management of the business to the CEO and the wider senior management team with specified financial and non-financial limits. A formal Delegations of Authority Policy documents delegated authorities and is reviewed annually by the Board.

The Company has written agreements with each Director, outlining the terms of their appointment. The Board is satisfied that each Director has the necessary time available to devote to the position, broadens the Board's expertise and has the competencies to ensure the effective functioning of the Board.

The Board supports the separation of the roles of Chair and CEO and Steel & Tube's Chair is required to be an Independent Director. Director independence is determined in accordance with NZX Listing Rules and with regard to the factors described in the Code.

All Directors have access to executives to discuss issues or obtain information on specific areas in relation to matters to be discussed at Board meetings, or other areas as they consider appropriate. The Board Committees and Directors, subject to the approval of the Board Chair, have the right to seek independent professional advice at the Company's expense, to enable them to carry out their responsibilities.

Professional Development

Directors are encouraged to undertake appropriate training and education to ensure they remain current on how to best perform their duties. In addition, Management provides regular updates on relevant industry and Company issues, including briefings from senior executives. All Directors are current members of New Zealand Institute of Directors.

Board Performance

The Board monitors its own performance and from time to time commissions external reviews to assess the performance of individual Directors and the Board's effectiveness. An external review was undertaken in calendar year 2021, which noted great progress made and on a positive trajectory, in regards to business turnaround and a great collegial board culture.

Director Appointment

Membership, rotation and retirement of Directors is determined in accordance with the Company constitution and NZX Listing Rules. The Nomination Committee has delegated responsibility from the Board to make recommendations on Board composition and nominations, subject to the Company constitution.

Directors will retire and may stand for re-election by shareholders at least every three years, in accordance with the NZX Listing Rules. A Director appointed since the previous Annual Shareholders' Meeting holds office only until the next Annual Shareholders' Meeting but is eligible for election at that meeting. The Board asks for Director nominations each year prior to the Annual Shareholders' Meeting, in accordance with the Company constitution and the NZX Listing Rules. Key information is provided to shareholders when a Director stands for election or re-election.

The Board has developed a skills matrix and takes into account a number of factors including qualifications, experience and skills. The collective capability of the current Board is assessed against requirements and the search then focuses on finding a Board member who will best complement the current mix of capability on the Board. Shareholders may also nominate candidates for election to the Board. The Board believes that the current Directors offer valuable and complementary skill sets. Importantly, the majority of Steel & Tube's Directors has either worked or is involved in directorships in the sector.

SKILLS MATRIX

DIRECTOR EXPERTISE	High	Moderate
Governance	● ● ●	●
Commercial	● ● ● ●	● ●
Financial Acumen (F&A)	● ●	● ● ●
M&A	●	● ● ●
HSQET and associated systems	● ● ●	● ●
Business Turnaround	● ● ●	● ● ●
Steel Industry	● ●	● ●
Manufacturing	● ●	●
Construction/ Infrastructure	● ● ●	●
Logistics, Supply Chain & Procurement	● ●	● ● ● ●
Sales Marketing and Brand	● ●	● ●
Digital Technology and Change	●	● ● ●
People, Culture and ER	● ● ●	● ● ●

Diversity

Equality and diversity are cornerstones of our organisational culture. We believe that diversity at Steel & Tube is integral to creating a collaborative workplace culture, competitive advantage and ultimately, sustainable business success. Diversity provides us with a broad range of perspectives and experience that enhance the quality and depth of our decision-making and helps create a united team approach across all levels of our organisation.

Our approach to diversity is outlined in the Diversity Policy, which is available on the Company website. A number of initiatives are in place to support diversity and the Board believes the principles in the Policy were adhered to in FY22.

Key areas of focus are:

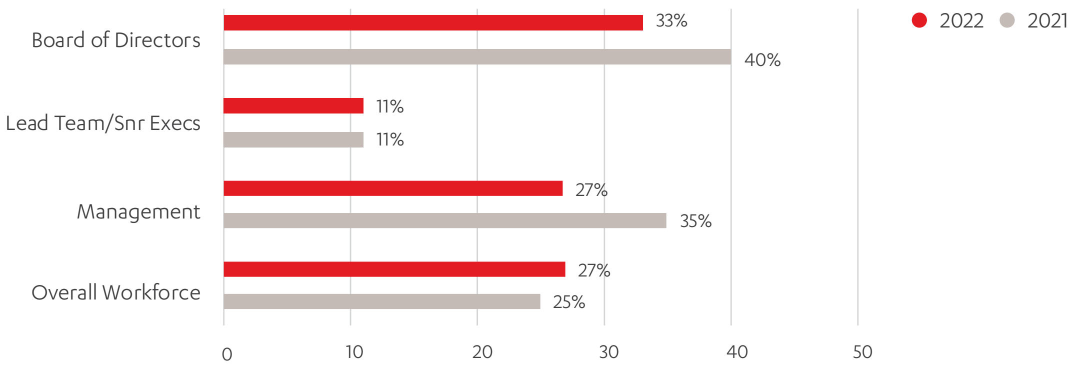
- Recruitment and retention of a diverse workforce
- Fair and consistent reward and recognition
- Flexible working arrangements
- Employee engagement
- Agreed standards of conduct and behaviour

Steel & Tube has a diverse workforce, representing more than 30 different ethnicities. English is a second language for a number of these staff, so Steel & Tube has initiatives in place to support them in the workplace, including the opportunity to participate in Steel & Tube's Numeracy and Literacy Programme.

The Officers of the Company (as defined by the NZX Listing Rules for the purposes of diversity reporting) are the CEO and specific direct reports of the CEO having key functional responsibility. As at 30 June 2022, females represented 20% of Directors and Officers of the Company (FY21: 21%).

As at 30 June	FY22 Male	FY22 Female	FY21 Male	FY21 Female
Directors	4	2	3	2
Officers	8	1	8	1

Female representation at Steel & Tube



BOARD COMMITTEES

"The Board should use Committees where this will enhance its effectiveness in key areas, while still retaining Board responsibility."

The Board has established several standing committees, each of which has a Board approved written charter summarising the role, responsibilities, delegations and membership requirements. The Board regularly reviews the charters of each Board committee, the committees' performance against those charters and membership of each committee. The Board believes that committee charters, committee membership and roles of committee members comply with recommendations in the Code.

Current membership of each of the Board committees at 30 June 2022 is set out below.

Committee	Role	Members
Quality, Health, Safety & Environment	Assist the Board to meet its responsibilities in relation to the Company's Quality, Health and Safety (H&S) and Environment policies and procedures, and legislative compliance	Chris Ellis (Chair) John Beveridge Karen Jordan
Audit and Risk	Assist the Board in its oversight of the integrity of financial reporting, financial management and controls, external audit quality and independence, and the risk management framework	Karen Jordan (Chair) John Beveridge Steve Reindler Andrew Flavell
People and Culture (previously Governance and Remuneration)	Assist the Board to establish and maintain a strong governance framework overseeing the management of the Company's people, remuneration and diversity policies	Steve Reindler (Chair) Chris Ellis Susan Paterson
Nomination	Assist the Board in ensuring appropriate Board performance and composition and in appointing Directors	Susan Paterson (Chair) John Beveridge Chris Ellis Karen Jordan Steve Reindler Andrew Flavell

Board committees assist the Board by focussing on specific responsibilities in greater detail than is possible in Board meetings. However, the Board retains ultimate responsibility for the functions of its committees and determines their responsibilities.

The Board appoints the members and chair of each committee, with the committee chair reporting committee recommendations to the Board. Management attendance at committee meetings is by invite only.

In the case of a takeover offer, Steel & Tube would follow its takeover protocols including forming an Independent Takeover Committee to oversee disclosure and response and to engage expert legal and financial advisors to provide advice on procedure.

The table below sets out committee membership and Director attendance at Board and committee meetings during FY22. Board meetings are scheduled throughout the year, with other meetings to deal with certain matters arising from time to time being held when necessary.

	Board	Quality, Health, Safety & Environment Committee	Audit & Risk Committee	People & Culture Committee	Nomination Committee
Total number of meetings	**13**	**3**	**4**	**3**	**2**
Susan Paterson	13	-	4	3	2
Chris Ellis	13	3	-	3	2
Steve Reindler	13	-	3	3	2
John Beveridge	13	3	4	-	2
Karen Jordan	13	3	4	-	2
Andrew Flavell [1]	7	-	-	-	-

[1] Andrew Flavell was appointed to the Board from 1 October 2021

REPORTING AND DISCLOSURE

"The Board should demand integrity in financial and non-financial reporting, and in the timeliness and balance of corporate disclosures."

Continuous Disclosure

Steel & Tube's Directors are committed to keeping investors and the market informed of all material information about the Company and its performance, in a timely manner. In addition to all information required by law, Steel & Tube also seeks to provide sufficient meaningful information to ensure stakeholders and investors are well informed. Steel & Tube is committed to providing accurate, timely, consistent and reliable disclosure of information to ensure market participants have fair access to information that may impact on its share price. The Company's Continuous Disclosure Policy sets out the principles and requirements of this commitment to timely disclosures.

Financial Reporting

For the financial year ended 30 June 2022, the Directors believe that proper accounting records have been kept which enable, with reasonable accuracy, the determination of the financial position of the Company and facilitate compliance of the financial statements with the Financial Markets Conduct Act 2013.

The Audit and Risk Committee oversees the quality and integrity of external financial reporting, including the accuracy, completeness, balance and timeliness of financial statements. It reviews Steel & Tube's full and half year financial statements and makes recommendations to the Board concerning accounting policies, areas of judgement, compliance with accounting standards, stock exchange and legal requirements, and the results of the external audit. All matters required to be addressed, and for which the Committee has responsibility, were addressed during the reporting period.

The Chief Executive Officer and Chief Financial Officer have confirmed in writing that Steel & Tube's external financial reports are presented fairly in all material aspects. The Chief Financial Officer holds the role of Company Secretary. In all accounting and secretarial matters, the Board ensures that the Secretary's reports are objective and that the Secretary has unfettered access to the Chair and the Audit and Risk Committee, without reference to the CEO.

Non-financial reporting

Steel & Tube has a commitment to ensuring that the Company adds value for all its stakeholders, from shareholders to staff and the communities the Company operates in, as well as reducing the environmental impact of the Company's activities. Steel & Tube believes it is the Company's corporate responsibility to ensure the Company plays its part in making the world a better place. In line with this, over the last year the Company has formalised its approach to ESG – environmental, social and governance principles – which the Company believes will enhance Steel & Tube and support its growth. Oversight of ESG is set out in Steel & Tube's Sustainability Policy.

In July 2021, the Company filled a new position, Sustainability Manager, to help oversee the Company's sustainability practices.

Steel & Tube has reported on the Company's progress in the What Matters section in this report, on pages 25 to 27.

REMUNERATION

"The remuneration of Directors and Executives should be transparent, fair and reasonable."

Remuneration of Directors and senior executives is the key responsibility of the People and Culture Committee. The framework for the determination and payment of Directors' and senior executives' remuneration is set out in the Remuneration Policy. External advice is sought on a regular basis to ensure remuneration is benchmarked to the market for senior management positions, Directors and Board Committee positions. The last increase in Director remuneration was approved by shareholders in November 2017. Board policy is that no sum is paid to a Director upon retirement or cessation of office.

Details of Director and Executive Remuneration in FY22 are provided on pages 85 to 88.

RISK MANAGEMENT

"Directors should have a sound understanding of the material risks faced by the issuer and how to manage them. The Board should regularly verify that the issuer has appropriate processes that identify and manage potential and material risks."

Steel & Tube's ability to deliver appropriate returns to its shareholders requires successful execution of business strategy and the elimination, reduction and mitigation of associated risks. The Board has overall responsibility for the establishment and oversight of the Group's risk management framework.

The Board is responsible for overseeing and monitoring significant business risks and overseeing Management's processes to mitigate the identified risks. Management regularly report to the Board on significant business risks and treatments for those risks.

The Company is exposed to risks from a number of sources, including operational, strategic, economic and financial risks. Steel & Tube's Corporate Risk Management System Framework incorporates policies, procedures and appropriate internal controls to identify, assess and manage areas of significant business and financial risks. The Company applies effective risk management principles across its business units to ensure risk is identified, assessed, categorised and ranked to allow the business to understand its risks. Steel & Tube maintains insurance policies that it considers adequate and practicable to meet its insurable risks.

Key Risks

Key risks are assessed on a risk profile identifying the likelihood of occurrence and potential severity of impact. Key risks are managed with a focus on decreasing the risk likelihood and minimising the risk impact should it occur. Key risk areas include:

- Operational risk e.g. health & safety, product quality, supply chain, data and systems, business continuity
- Strategic risk e.g. execution of strategic initiatives, competitive environment, technological change
- Economic risk e.g. market risk, sector risk
- Financial risk e.g. business performance, capital management

Risk Management Process

Steel & Tube's Corporate Risk Management System Framework mandates one framework for risk management to:

- Integrate risk management in line with the Board's risk appetite into structures, policies, processes and procedures
- Deliver regular key risk reviews, reporting and monitoring

Key risks are owned by members of the executive leadership team. This promotes integration into operations and planning and a culture of proactive risk management. Key risks are reported to the Board. Legislative compliance is monitored across each business unit through Quantate compliance management software.

Quality, Health, Safety and Environment

The Board is committed to ensuring a safe and healthy environment for all Steel & Tube people and anyone in the Company's workplaces. Ensuring Steel & Tube employees and contractors go home safely every day is the Company's number one priority.

Steel & Tube's aim is to be the preferred New Zealand supplier for steel products and solutions and our expert people play an important role in that, sharing their knowledge and experience with customers. Ensuring the quality of Steel & Tube's products remains a critical focus and an extensive Quality Management Programme is in place and overseen by the General Manager Quality, Health, Safety and Environment. More information on our approach to Quality and Health & Safety is outlined in the What Matters section on page 28.

AUDITORS

"The Board should ensure the quality and independence of the external audit process."

External Audit

Steel & Tube's External Auditor Independence Policy outlines our commitment to ensuring audit independence, both in fact and appearance, so that Steel & Tube's external financial reporting is viewed as being highly objective and without bias.

Shareholders approved the appointment of KPMG as the Company's auditor at the 2021 Annual Shareholders' Meeting. It is Steel & Tube's practice that the external auditors attend the Annual Shareholders' Meeting each year.

The Audit and Risk Committee monitors the ongoing independence, quality and performance of the external auditors and monitors audit partner rotation. The Committee pre-approves any non-audit work undertaken by the external auditors. There were no non-audit services provided by KPMG in following their appointment as external auditors. The fees paid for audit services in FY22 is identified in Note E4 of the Financial Report.

Internal Audit

Steel & Tube operates an outsourced internal audit function, which reports to and is monitored by the Audit and Risk Committee. The Committee approves the annual internal audit plan, receives internal audit review reports on the adequacy and effectiveness of Steel & Tube's internal controls and monitors the implementation of recommendations arising from the internal auditor's review findings.

KPMG were engaged as our internal auditor for the FY17 to FY21 financial years prior to their appointment as the external auditor effective from the FY22 financial year.

Alternative internal audit arrangements were made for FY22 and beyond, utilising both internal and external resources.

SHAREHOLDER RIGHTS AND RELATIONS

"The Board should respect the rights of shareholders and foster constructive relationships with shareholders that encourage them to engage with the issuer."

Shareholder Communications

Steel & Tube are committed to open and regular dialogue and engagement with shareholders. Easy access to information about the performance of Steel & Tube is available through the Investor Centre on the Company's website at https://steelandtube. co.nz/investor-centre. Steel & Tube releases semi-annual Shareholder Newsletters as part of the Company's initiative to keep shareholders informed about the business and the contribution the Company makes to New Zealand's economic development and prosperity.

Steel & Tube's investor relations programme includes semi-annual post-results briefings with investors, analysts and investor meetings, and earnings announcements. The programme is designed to provide shareholders and other market participants the opportunity to obtain information, express views and ask questions. Shareholders are encouraged to communicate with the Company and its share registry electronically.

In addition to shareholders, Steel & Tube has a wide range of stakeholders and maintains open channels of communication for all audiences, including the investing community and the New Zealand Shareholders' Association, as well as its staff, suppliers and customers.

Shareholder Meetings

Steel & Tube endeavours to make it easy for shareholders to participate in Annual Shareholders' Meetings, which are held in a main centre and also streamed live online or recorded and posted on the Company website. The notice of the Annual Shareholders' Meeting is announced on the NZX, sent to shareholders and posted on to the Company's website at least 20 working days prior to the meeting each year. Shareholders are able to ask questions of and express their views to the Board, management and the external auditors at Annual Shareholders' Meetings.

The Board considers that shareholders should be entitled to vote on decisions that would change the essential nature of Steel & Tube's business. The Board adopts the one share, one vote principle, conducting voting at shareholder meetings by poll. Shareholders are also able to vote by proxy ahead of meetings without having to physically attend those meetings.

REMUNERATION

Director Remuneration

Total remuneration available to non-executive Directors of $575,000 was last approved in 2017 and on the basis of six independent Directors. The People and Culture Committee is currently reviewing Director remuneration and may propose a shareholders' resolution increasing remuneration for the upcoming Annual Shareholders' Meeting.

As at 30 June 2022, the standard Directors' fees per annum were $145,000 for the chair and $75,000 for each non-executive Director. Board committee Chairs also receive additional fees of between $5,000-$10,000 for their committee responsibilities. A special pool of $30,000 is also available should extraordinary non 'business as usual' work arise. This pool was not utilised in FY22.

Directors' fees exclude GST, where applicable. Directors are entitled to be reimbursed for costs directly associated with carrying out their duties, including travel costs. Board policy is that no sum is paid to a Director upon retirement or cessation of office.

Directors do not participate in the Company's short or long term incentives.

The total amount of remuneration and other benefits received by the Directors during the year ended 30 June 2022 was $526,250 as shown in the table below:

Director	Directors Fees	Committee Chair Fees	FY22 Total	Responsibility
Susan Paterson	145,000	-	145,000	Board Chair
Karen Jordan	75,000	10,000	85,000	Audit and Risk Committee Chair
Chris Ellis	75,000	10,000	85,000	QHSE Committee Chair
Steve Reindler	75,000	5,000	80,000	Governance & Remuneration Committee Chair
John Beveridge	75,000	-	75,000	
Andrew Flavell [1]	56,250	-	56,250	

[1] Andrew Flavell was appointed as an Independent Director from 1 October 2021

EXECUTIVE REMUNERATION

Steel & Tube's Remuneration Policy and practices are designed to attract, retain and motivate high calibre people at all levels of Steel & Tube.

Board policy is that no additional amounts are paid to a Director or the Chief Executive Officer upon retirement or cessation of office.

The CEO and executives have the potential to earn a Short Term Incentive (STI) each year. Steel & Tube's STI is based on performance targets and is designed to differentiate performance and reward delivery. STI values for the CEO and executives are set as a percentage of Fixed Annual Remuneration (FAR) based on the scale, complexity and performance expectations of each individual STI participant's role.

The CEO and executives, together with a limited number of non-executive senior managers, also have the potential to earn a Long Term Incentive (LTI). Steel & Tube's LTI is designed to incentivise and retain key personnel, align the interests of executives and shareholders and encourage long-term decision-making. LTI values for the CEO and executives are set as a percentage of FAR.

STI performance targets reflect a mixture of financial, quality & safety, customer services and strategy delivery objectives appropriate for the position held by the individual STI participant.

The STI plan also includes a Company based performance hurdle, where no STI is payable to any participant if the year-end results are 80% or less of the Company's financial target.

If there is a fatality or serious harm where the Board deems either the Company as a whole or participating individuals culpable, the Board may decide that no STIP payment (all components) will be paid to one, some or all of the participants.

The current LTI (referred to as the Performance Rights Plan (PRP)) was developed and approved by the Board in February 2018. The PRP performance period runs for three years and comprises of two performance conditions (50% each) as outlined in Note E5 of the Financial Report.

All rights granted under the Company's previous LTI scheme, in place since 2003, have been either vested and exercised or forfeited, in accordance with that plan's rules.

The STI and LTI are both variable elements of remuneration, with selected employees invited to participate each year as approved by the Board. They are only paid if individual, Company and shareholder TSR performance conditions and targets are met.

CEO REMUNERATION

The CEO's overall remuneration as at 30 June 2022 consists of a fixed annual remuneration (FAR), an STI at 60% of FAR and an LTI of 40% of FAR. This is reviewed annually by the People and Culture Committee and approved by the Board each year.

The performance targets for the CEO for the year ending 30 June 2022 were as follows:

Target KPIs	Weighting
Financial – Return on Funds Employed (ROFE)	70%
Health & Safety – Leading and lagging indicators	10%
Completion of Nominated Strategic Initiatives	7%
Customer Engagement	7%
Employee Engagement	6%

The Board ensures that the CEO's remuneration, including base salary, is aligned with appropriate market rates and reflects performance and delivery of sustainable shareholder value.

The table immediately below sets out CEO FAR and the pay for performance components of the CEO's remuneration package on an annualised basis. This table sets out the pay for performance outcomes for STI and LTI assuming 100% is paid out.

Target Remuneration:

	Fixed Remuneration			Pay for Performance			Total Target Remuneration
	FAR[1]	Non- taxable benefits[2]	Sub total	Target STI[3]	Target LTI[4]	Subtotal	
2022	$875,500	nil	$875,500	$458,556	$409,138	$867,694	**$1,743,194**
2021	$728,280	nil	$728,280	$218,484	$291,312	$509,796	**$1,238,076**
2020	$714,000	nil	$714,000	$428,400	$285,600	$714,000	**$1,428,000**
2019	$700,000	nil	$700,000	$420,000	$392,000	$812,000	**$1,512,000**
2018	$700,000	nil	$700,000	$420,000	$210,000	$630,000	**$1,330,000**

The financial performance target for the full year to 30 June 2022 was above the transitionary scheme's 90% hurdle requirement and accordingly STI is payable to the CEO in relation to this.

Details of what has been earned and been paid to the CEO in the past five years are outlined below:

Actual Remuneration Received:

	FAR[1]	Non-taxable benefits[2]	STI earned in FY[5]	Value of LTI vested during FY[6]	Total remuneration earned during FY
FY22	$794,786	-	$687,834	-	**$1,482,620**
FY21	$721,140	-	$273,105	-	**$994,245**
FY20	$702,880	-	-	-	**$702,880**
FY19	$700,000	-	-	-	**$700,000**
FY18[7]	$587,239	-	$128,214	-	**$715,453**

The CEO has personally made an investment in the Company and has acquired 348,284 shares through on-market transactions and the pro-rata rights offer capital raise.

1 FAR includes any KiwiSaver employer contributions

2 There were no costs associated with any other benefits during the year ended 30 June 2022

3 STI target for the full year which is subject to achievement of performance targets as agreed with the Board in each year. STI payment for FY22 is calculated on the CEO's FAR as at 31 March 2022. If financial targets are exceeded it is possible to achieve up to 150% of the target. Financial performance for FY22 has resulted in 150% payment

4 LTI value of actual Rights granted in each year (which may be exercised after the completion of the three year performance period, providing and only to the extent that the performance conditions have been satisfied). The 2022 value of Rights issued of $409,138 included a special issue of 100,000 shares valued at $112,000

5 STI payable for the FY following the achievement of performance targets as agreed with the Board

6 LTI value of Rights as at the date vested (including the gross value of the associated dividends paid) in the FY related to Rights granted in the three years prior

7 FAR and total remuneration are for the prorated FY from 25 September 2017 to 30 June 2018

PAY GAP

The Pay Gap represents the number of times greater the Chief Executive Officer's remuneration is to the remuneration of an employee paid at the median of all Steel & Tube employees. For the purposes of determining the median paid to all Steel & Tube employees, all permanent full-time, permanent part- time and fixed-term employees are included, with part-time employee remuneration adjusted to a full-time equivalent amount.

At 30 June 2022, the Chief Executive Officer's fixed remuneration of $875,500 was 13.51 times (FY21: 11.69 times) that of the median employee at $64,792 per annum.

Employee Remuneration

The number of employees or former employees who received remuneration and other benefits valued at or exceeding $100,000 during the year to 30 June 2022 are specified in the table below.

The remuneration noted includes all monetary payments actually paid during the course of the year ended 30 June 2022 and restructuring and redundancy related compensation.

The remuneration paid to, and other benefits received by, Mark Malpass in his capacity as CEO for the year ended 30 June 2022 are detailed on pages 86 and 87, and are excluded from the table.

Remuneration Range $000	2022
100 - 110	43
110 - 120	22
120 - 130	19
130 - 140	9
140 - 150	6
150 - 160	8
160 - 170	5
170 - 180	7
180 - 190	1
190 - 200	3
200 - 210	4
210 - 220	3
220 - 230	1
230 - 240	1
240 - 250	3
270 - 280	2
360 - 370	3
370 - 380	1
410 - 420	1
480 - 490	1
Total	**143**

DISCLOSURES

CHANGES IN DIRECTORS' INTERESTS

Directors made the following entries in the Directors' Interests Register pursuant to section 140 of the Companies Act 1993 during the year ended 30 June 2022:

Director	Interests
Susan Paterson	Appointed as a Chair of Evolution Healthcare
	Ceased to be a member of Leadership Group of Aotearoa Circle
Andrew Flavell	Interim CTO of Laybuy Holdings Limited (ceased)
	Appointed director of Ports of Auckland Limited
	Appointed as Chair of ASB Technical Advisory Group
Steve Reindler	Appointed as a director of Ports of Auckland Limited
	Ceased to be a director of Z Energy Limited
	Appointed as an independent advisor to the Museum of NZ Te Papa Tongarewa Governance Group (effective 17 August 2022)

INFORMATION USED BY DIRECTORS

There were no notices from Directors requesting to disclose or use company information received in their capacity as Directors that would not otherwise have been available to them.

DIRECTORS' SHAREHOLDINGS

Steel & Tube securities in which each Director has a relevant interest as at 30 June 2022 are:

Director	Shares held
Susan Paterson	262,425 beneficially owned
Karen Jordan	1,069
John Beveridge	20,000 beneficially owned
Steve Reindler	81,177
Chris Ellis	10,000

DIRECTORS' SECURITY DEALINGS

During the year ended 30 June 2022 Directors' disclosed the following securities transactions in respect of section 148(2) of the Companies Act 1993 and sections 297(2) and 298(2) of the Financial Markets Conduct Act 2013.

These transactions took place in accordance with Steel & Tube's Insider Trading Policy.

Director	Date of Transaction	Number of shares acquired / (disposed)	Nature of transaction	Consideration
Steve Reindler	20 September 2021	10,000	On-market acquisition	$10,500
	23 November 2021	11,750	On-market acquisition	$15,349
	26 April 2022	13,000	On-market acquisition	$20,429

INDEMNITIES AND INSURANCE

In accordance with section 162 of the Companies Act 1993 and Steel & Tube's Constitution, the company has arranged Directors and Officers Liability insurance covering Directors and employees of Steel & Tube, including Directors of subsidiary companies, for liability arising from their acts or omissions in their capacity as Directors or employees. The insurance policy does not cover dishonest, fraudulent, malicious or wilful acts or omissions.

SUBSIDIARY COMPANIES DIRECTORS

The remuneration of employees appointed as directors of subsidiary companies is disclosed in the relevant banding of remuneration set out under the heading Employee Remuneration. Employees did not receive additional remuneration or benefits for being directors during the year.

Directors of the subsidiary companies as at 30 June 2022 were:

Company	Directors
Steel & Tube New Zealand Limited	Mark Malpass, Richard Smyth
Composite Floor Decks Holdings Limited	Mark Malpass, Richard Smyth
Studwelders Limited	Mark Malpass, Richard Smyth
S & T Stainless Limited	Mark Malpass, Richard Smyth
Manufacturing Suppliers Limited	Mark Malpass, Richard Smyth
S & T Plastics Limited	Mark Malpass, Richard Smyth
Composite Floor Decks Limited	Mark Malpass, Richard Smyth

TOP 20 SHAREHOLDERS

As at 6 July 2022

Twenty largest security holders as at 6 July 2022	Ordinary Shares	Percentage
NEW ZEALAND STEEL LIMITED	26,274,753	15.83%
LENNON HOLDINGS LIMITED	8,095,985	4.88%
HSBC NOMINEES (NEW ZEALAND) LIMITED*	5,118,931	3.08%
CUSTODIAL SERVICES LIMITED	3,344,149	2.02%
NEW ZEALAND DEPOSITORY NOMINEE LIMITED	2,762,507	1.66%
FNZ CUSTODIANS LIMITED	2,571,590	1.55%
HPI AVONDALE LIMITED	2,103,786	1.27%
CITIBANK NOMINEES (NEW ZEALAND) LIMITED*	1,785,134	1.08%
NEIL DOUGLAS WAITES & ANTHONY GENE WAITES & RICHARD BOYD WAITES	1,770,000	1.07%
MAXIMA INVESTMENTS LIMITED	1,450,000	0.87%
ACCIDENT COMPENSATION CORPORATION*	1,321,326	0.80%
JOHN FRANCIS MANAGH	1,319,951	0.80%
ANDREW PAUL LISSAMAN EVERIST	1,252,000	0.75%
ASB NOMINEES LIMITED	1,085,000	0.65%
CHESTER PERRY NOMINEES LIMITED	1,000,000	0.60%
JOHN FRANCIS MANAGH & DAVID ROBERT PERCY	999,454	0.60%
TREVOR JEFFREY CORFIELD	901,186	0.54%
LEVERAGED EQUITIES FINANCE LIMITED	900,000	0.54%
PUBLIC TRUST CLASS 10 NOMINEES LIMITED*	740,670	0.45%
ASB NOMINEES LIMITED	641,738	0.39%
	65,438,160	**39.43%**

* Shares held in New Zealand Central Securities Depository (NZCSD)

STEEL & TUBE HOLDINGS LIMITED (STU) ANALYSIS OF SHAREHOLDING

As at 6 July 2022

Holding Range	Holder Count	Holder Count %	Holding Quantity	Holding Quantity %
1 to 999	1,490	20.16%	614,445	0.37
1,000 to 4,999	2,588	35.02%	6,249,362	3.77
5,000 to 9,999	1,152	15.59%	7,847,260	4.73
10,000 to 49,999	1,728	23.38%	35,291,468	21.26
50,000+	433	5.85%	115,970,005	69.87
Total	**7,391**	**100.00%**	**165,972,540**	**100.00%**

SUBSTANTIAL SECURITY HOLDER

The company received no Substantial Security Holders notices during the year.

Issued shares in the company at 30 June 2022 comprise:	
Ordinary shares fully paid	165,972,540
Ordinary shares partly paid (no voting rights)^	25,000
	165,997,540

^ Shares issued in the Senior Executives Share Scheme 1993

DIRECTORY

REGISTERED OFFICE

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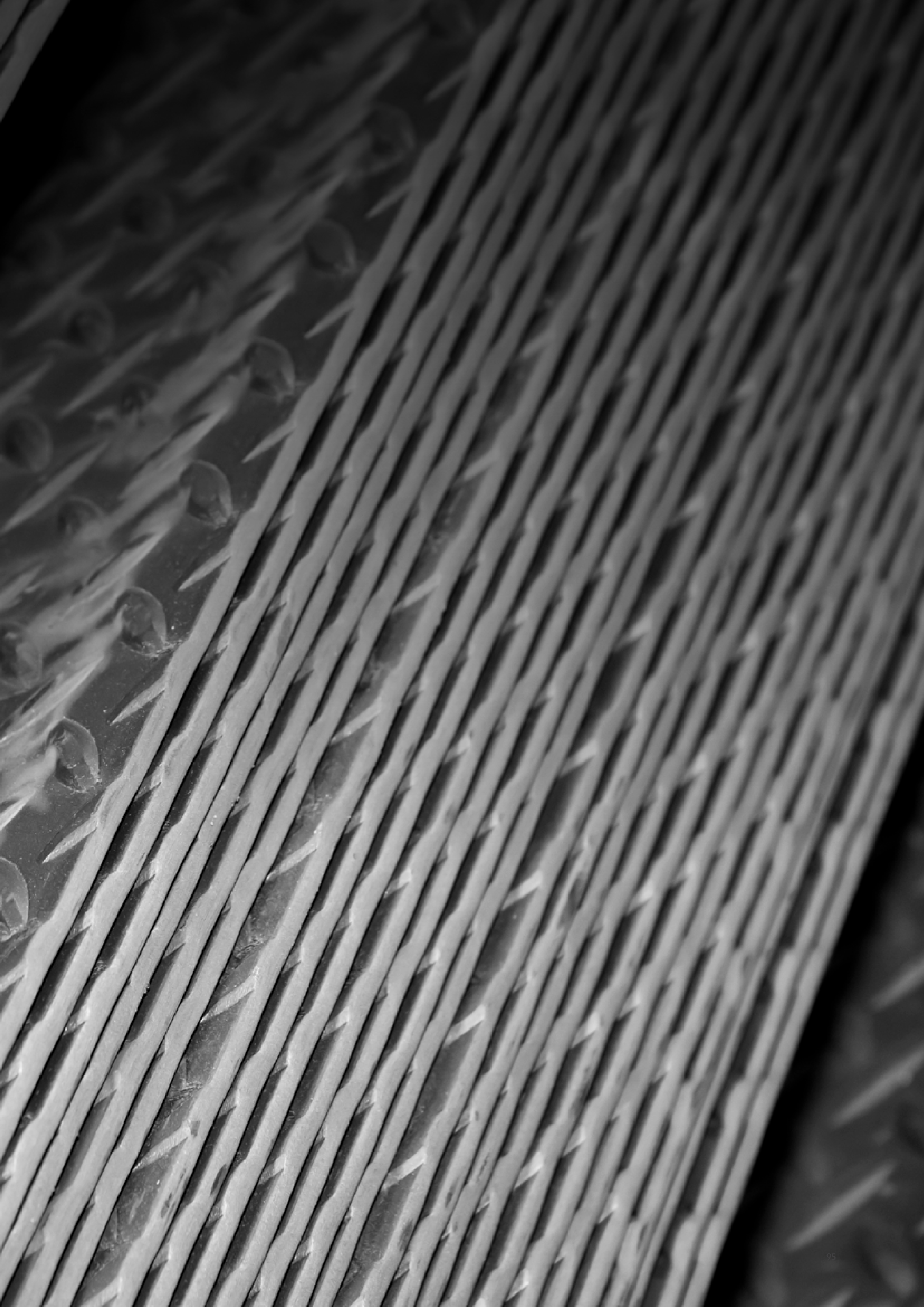

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